

NEW ISSUE

Fitch Ratings, Inc.: AAA
Moody's Investors Service, Inc.: Aaa
Standard & Poor's: AAA
(See "RATINGS")

In the opinion of Bond Counsel, under existing law, assuming continued compliance with certain provisions of the Internal Revenue Code of 1986, as amended, interest on the Bonds will not be included in the gross income of holders of the Bonds for federal income tax purposes. Interest on the Bonds will not constitute a preference item for the purposes of computation of the alternative minimum tax imposed on certain individuals and corporations, although interest on the Bonds will be taken into account in computing the alternative minimum tax applicable to certain corporations. In the opinion of Bond Counsel, interest on the Bonds, and any profit made on the sale thereof, are exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. For federal and Massachusetts tax purposes, interest includes original issue discount. See "Tax Exemption."



\$311,580,000

MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST

Pool Program Bonds, Series 9

Dated: November 1, 2003

**Due: August 1, as shown on the
inside cover hereof**

The Bonds will be issued as registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Bonds. Individual purchases will be made in book-entry only form, in the principal amount of \$5,000 and integral multiples thereof. See "DESCRIPTION OF THE BONDS - Book-Entry Only System." Interest on the Bonds will be payable on February 1 and August 1 of each year, commencing on February 1, 2004. The Bonds will be subject to optional and mandatory redemption prior to maturity as described herein.

The Bonds are being issued to finance or refinance costs of certain water pollution abatement projects and drinking water projects for borrowers. The Bonds are payable solely from the funds pledged therefore pursuant to the Trust's Program Resolution and Bond Resolution, including but not limited to (i) payments to be made by borrowers, (ii) contract assistance payments made to the Trust on behalf of each borrower by the Commonwealth of Massachusetts and investment earnings on certain of such payments and (iii) investment earnings on certain reserves funded from federal and state grants. For additional information about the security for the Bonds, see "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" herein.

The Bonds are special obligations of the Trust and shall not constitute a pledge of the full faith and credit of the Trust. The Trust has no taxing power. Neither the Commonwealth of Massachusetts nor any political subdivision thereof shall be obligated to pay the Bonds, and neither the faith and credit nor the taxing power of the Commonwealth or any political subdivision thereof is pledged to the payments on the Bonds.

The Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of the legality of the Bonds by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Bond Counsel to the Trust, and subject to certain other conditions. Certain legal matters will be passed upon for the Trust by Palmer & Dodge LLP, Boston, Massachusetts, Program Counsel to the Trust. Certain legal matters will be passed upon for the Underwriters by Gadsby Hannah LLP, Boston, Massachusetts. It is expected that the Bonds will be available for delivery to DTC in New York, New York, or its custodial agent, on or about November 6, 2003.

Goldman, Sachs & Co.

Advest, Inc.
A.G. Edwards & Sons, Inc.
JPMorgan
Quick & Reilly, Inc.
RBC Dain Rauscher Inc.
Southwest Securities

Citigroup

Lehman Brothers
Bear, Stearns & Co. Inc.
Fidelity Capital Markets
Merrill Lynch & Co.
Ramirez & Co., Inc.

UBS Financial Services Inc.

Corby Capital Markets, Inc.
First Albany Corporation
Morgan Stanley
Raymond James & Associates, Inc.
Roosevelt & Cross, Inc.
Wachovia Bank, National Association

October 10, 2003

\$311,580,000
MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST
Pool Program Bonds, Series 9

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number†</u>	<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number†</u>
2004	\$10,315,000	2.00%	0.958%	57604PLR3	2013	\$8,320,000	5.50%	3.770%	57604PMG6
2005	10,440,000	2.00	1.250	57604PLS1	2014	4,155,000	3.80	3.880	57604PMH4
2006	2,410,000	2.00	1.530	57604PLT9	2014	8,670,000	5.50	3.880	57604PMJ0
2006	8,465,000	5.00	1.530	57604PLU6	2015	13,255,000	5.50	4.000	57604PMK7
2007	8,630,000	2.00	1.940	57604PLV4	2016	3,130,000	4.00	4.100	57604PML5
2007	2,445,000	4.00	1.940	57604PLW2	2016	10,620,000*	5.25	4.100	57604PMM3
2008	11,175,000	2.30	2.320	57604PLX0	2017	14,270,000*	5.25	4.180	57604PMN1
2009	6,205,000	2.70	2.720	57604PLY8	2018	3,350,000	4.25	4.280	57604PMP6
2009	4,880,000	5.00	2.720	57604PLZ5	2018	11,415,000*	5.25	4.280	57604PMQ4
2010	11,290,000	3.00	3.080	57604PMA9	2019	15,250,000**	5.00	4.450	57604PMR2
2011	3,810,000	3.375	3.400	57604PMB7	2020	15,770,000**	5.00	4.540	57604PMS0
2011	7,750,000	5.50	3.400	57604PMC5	2021	16,305,000**	5.00	4.620	57604PMT8
2012	2,705,000	3.60	3.620	57604PMD3	2022	16,880,000**	5.00	4.710	57604PMU5
2012	9,240,000	5.50	3.620	57604PME1	2023	5,480,000	4.75	4.780	57604PMV3
2013	4,050,000	3.70	3.770	57604PMF8	2023	11,670,000**	5.00	4.780	57604PMW1

\$22,320,000 5.25 % Term Bonds Due August 1, 2028 to yield 4.86 % CUSIP Number†: 57604PMX9**

\$26,910,000 5.25 % Term Bonds Due August 1, 2033 to yield 4.91 % CUSIP Number†: 57604PMY7**

(Accrued interest from November 1, 2003 to be added)

* Priced at the stated yield to the August 1, 2015 optional redemption date at a redemption price of 100%. See "DESCRIPTION OF THE BONDS - Redemption; Optional Redemption".

** Priced at the stated yield to the August 1, 2013 optional redemption date at a redemption price of 100%. See "DESCRIPTION OF THE BONDS - Redemption; Optional Redemption".

† Copyright 2003, American Bankers Association. CUSIP data herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, salesperson or any other person has been authorized to give any information or make any representation, other than those contained herein, in connection with the offering of the Bonds, and if given or made, such information or representation must not be relied upon. The information set forth herein has been obtained from the Trust and other sources that are deemed to be reliable but is not guaranteed as to accuracy or completeness by the Underwriters. Neither the delivery of this Official Statement nor the sale of any of the Bonds implies that there has been no change in the affairs of the Trust or the other matters described herein since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST

BOARD OF TRUSTEES

Timothy P. Cahill, Chairman.....	Treasurer and Receiver-General of the Commonwealth of Massachusetts
Jeffrey S. Stearns.....	Designee of the Treasurer and Receiver-General
Eric A. Kriss	Secretary of the Executive Office for Administration and Finance of the Commonwealth of Massachusetts
Timothy R. Murphy.....	Designee of the Secretary of the Executive Office for Administration and Finance
Robert W. Golledge, Jr.	Commissioner of the Department of Environmental Protection of the Commonwealth of Massachusetts
Steven J. McCurdy	Designee of the Commissioner of the Department of Environmental Protection

SENIOR MANAGEMENT

Laura M. Guadagno.....	Executive Director
Nancy E. Parrillo	Treasurer
Timothy R. Murphy.....	Director of Finance and Administration
Steven J. McCurdy	Director of Program Development

ADVISORS

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.	Bond Counsel
Palmer & Dodge LLP	Program Counsel
Lamont Financial Services Corporation	Financial Advisor
KPMG LLP	Auditors
U.S. Bank National Association	Program Trustee
Wells Fargo Bank Minnesota, National Association...	Bond Trustee

OFFICIAL STATEMENT

Relating to

\$311,580,000

Massachusetts Water Pollution Abatement Trust Pool Program Bonds, Series 9

INTRODUCTORY STATEMENT

This Official Statement (which includes the cover page and the Appendices hereto) is furnished by the Massachusetts Water Pollution Abatement Trust (the “Trust”) to provide information concerning the Trust’s Pool Program Bonds, Series 9 (the “Bonds”). Unless otherwise indicated herein, capitalized terms not otherwise defined in this Official Statement shall have the meanings given to such terms in Appendix A hereto.

The Trust is a public instrumentality of the Commonwealth of Massachusetts (the “Commonwealth”), established to provide funding for water pollution abatement projects in Massachusetts pursuant to Title VI of the Federal Clean Water Act and drinking water projects in Massachusetts pursuant to Title XIV of the Federal Public Health Act.

The Bonds are being issued pursuant to the Trust’s Program Resolution and Bond Resolution to finance or refinance costs of water pollution abatement projects and drinking water projects for certain borrowers (the “Borrowers”). The Bonds will be the ninth series of bonds (“Pool Bonds”) outstanding under the Trust’s Pool Program. Upon issuance of the Bonds, the Pool Program will include:

- a portion of the loans funded by the proceeds of the Trust’s Water Pollution Abatement Revenue Bonds (Pool Loan Program), Series 1, all of the loans funded by the Trust’s Pool Loan Program Bonds, Series 2, Series 3 and Series 4, all of the loans funded by and the local governmental obligations purchased with the proceeds of the Trust’s Pool Program Bonds, Series 5, Series 6, Series 7 and Series 8 (collectively, the “Prior Pool Borrower Obligations” and the “Prior Pool Bonds,” respectively), and a portion of the loans funded by the Trust’s Water Pollution Abatement Revenue Bonds (SESD Loan Program), Series 1994 and Series 1996 (the “SESD Pool Borrower Obligations” and the “SESD Bonds,” respectively);
- all of the loans funded by and the local governmental obligations purchased with the proceeds of the Bonds (the “Borrower Obligations”); and
- any additional loans funded by and local governmental obligations purchased with the proceeds of future Pool Bonds (collectively with the Prior Pool Borrower Obligations, the SESD Pool Borrower Obligations and the Borrower Obligations, the “Pool Borrower Obligations”).

Upon the issuance of the Bonds, approximately \$1.6 billion in outstanding Pool Borrower Obligations of 244 local governmental units and other qualified borrowers will be held under the Pool Program. The Trust expects to issue additional bonds under the Pool Program; however, the timing and amounts of such issuances have not been determined.

Pool Borrower Obligations

Prior to the issuance of a series of Pool Bonds, the Trust enters into a financing agreement with each of the borrowers (together with the South Essex Sewerage District, as the issuer of the SESD Pool Borrower Obligations, the “Pool Borrowers”) receiving proceeds of such series of Pool Bonds, pursuant to which the Pool Borrowers are each obligated to make regularly scheduled payments to the Trust which are sufficient, in the

aggregate, to pay the maturing principal of and interest on the related series of Pool Bonds. Prior to the issuance of the Bonds, the Trust will also enter into a financing agreement with each of the Borrowers.

Upon the issuance of the Bonds, approximately 80.5% in aggregate principal amount of the outstanding Pool Borrower Obligations will be general obligations of the related Pool Borrowers payable from general revenues, including, but not limited to, ad valorem taxes, and approximately 19.5% in aggregate principal amount of the outstanding Pool Borrower Obligations will be revenue obligations payable solely from water and wastewater revenues of the related Pool Borrowers.

Along with certain other Commonwealth agencies, the Trust has the right to intercept local aid payments made by the Commonwealth to a city or town, and in the case of a district or commission, including the Massachusetts Water Resources Authority, which has constituent cities and towns, the Trust has the right to intercept local aid payments made to such constituent cities and towns, if such city, town, district or commission fails to make its scheduled payments under its financing agreement as described more fully herein.

Subsidies

Although Pool Borrowers are obligated to the Trust to make scheduled payments which are sufficient in the aggregate to pay the full debt service on the related series of Pool Bonds, significant subsidies are expected to be credited against the Pool Borrowers' payment obligations when and if received by the Trust. In particular, earnings on investment of amounts held in the debt service reserve fund established under the related bond resolution will be used to subsidize a portion of each Pool Borrower's payments. Additional subsidies are expected to be provided through payments by the Commonwealth to be received by the Trust on behalf of the Pool Borrowers and, for certain Pool Borrowers, through earnings on the investment of a portion of such payments. The obligation of the Commonwealth to make such payments to the Trust constitutes a general obligation of the Commonwealth, for which its full faith and credit are pledged. Upon the issuance of the Bonds, assuming the receipt of all such subsidies, approximately 60.5% of the aggregate future debt service on the Pool Bonds is expected to be paid from net payments received from the Pool Borrowers, approximately 25.8% is expected to be paid from payments received from the Commonwealth and investment earnings on certain of such payments and approximately 13.8% is expected to be paid from investment earnings on the debt service reserve funds.

Debt Service Reserve Funds

As a source of security for the Prior Pool Bonds and the Bonds, the Trust has deposited into debt service reserve funds for the Prior Pool Bonds and will deposit into a debt service reserve fund for the Bonds (the "Debt Service Reserve Fund") amounts allocable to each Prior Pool Borrower Obligation and each Borrower Obligation equal to thirty-three percent (33%), forty percent (40%) or fifty percent (50%) of the principal amount of each Prior Pool Borrower Obligation or Borrower Obligation outstanding from time to time, depending on the type of project being financed, the length of time the Prior Pool Borrower Obligation or Borrower Obligation will remain outstanding and the date of approval for funding by the Trust of such project. Allocable amounts in the debt service reserve funds are available to pay debt service on the related series of Prior Pool Bonds or the Bonds in the case of a payment default under a Prior Pool Borrower Obligation or a Borrower Obligation.

The debt service reserve funds securing future series of Pool Bonds may be funded at levels greater or less than the levels applicable to the Prior Pool Bonds and the Bonds. The debt service reserve funds have been funded with federal and state capitalization grants and other funds available to the Trust. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS - Funding of the Debt Service Reserve Fund with Equity" herein.

Security for the Bonds

The Bonds are special obligations of the Trust and do not constitute a pledge of its faith and credit. The Trust has no taxing power. Each series of Pool Bonds is payable from, and secured solely by a pledge of, the Pool Borrower Obligations financed or refinanced by such series, and the rights of the Trust in the related financing agreements therefor, by the revenues derived by the Trust under such financing agreements, including payments received from the related Pool Borrowers and investment earnings and Commonwealth payments applied as subsidies to such payments, and by amounts held in the funds and accounts created under the related bond resolution including a debt service reserve fund as described above.

Pool Program Reserve Fund

All Pool Bonds share in the additional security provided by the Pool Program Reserve Fund. As the principal amounts of Pool Borrower Obligations are repaid by Pool Borrowers, ratable portions of the debt service reserve funds allocable to such Pool Borrower Obligations are transferred to the Pool Program Reserve Fund. If a Pool Borrower defaults on a Pool Borrower Obligation and the amount in the related debt service reserve fund allocable to such Pool Borrower Obligation is insufficient or unavailable to cover the shortfall or is used to pay debt service, amounts in the Pool Program Reserve Fund are available to pay debt service on the applicable Pool Bonds or to satisfy deficiencies in the applicable debt service reserve fund. If the funds released from the debt service reserve funds to the Pool Program Reserve Fund are not needed for such purposes, they are transferred to the Deficiency Fund described below.

Deficiency Fund

In addition to the security provided for Pool Bonds by the debt service reserve funds and the Pool Program Reserve Fund, all bonds issued by the Trust to date are secured by a Deficiency Fund. The Deficiency Fund operates similarly to the Pool Program Reserve Fund. As the principal amount of loans funded by and local governmental obligations purchased with proceeds of Trust bonds ("Program Borrower Obligations") are repaid, the ratable portions of the debt service reserve funds allocated to such Program Borrower Obligations are transferred to the Deficiency Fund or, in the case of Pool Borrower Obligations, first to the Pool Program Reserve Fund and then to the Deficiency Fund. Amounts in the Deficiency Fund are available to pay debt service on bonds or to satisfy deficiencies in applicable reserves if the amounts in the related debt service reserve funds, and, in the case of Pool Bonds, in the Pool Program Reserve Fund, are insufficient to cover a payment shortfall or satisfy a deficiency caused by a payment default on a Program Borrower Obligation.

THE ABOVE SUMMARY IS INTENDED ONLY AS A GENERAL INTRODUCTION TO THE BONDS. FOR A MORE DETAILED DESCRIPTION OF THE TRUST, THE POOL PROGRAM AND THE BONDS, THE READER SHOULD EXAMINE THE ENTIRETY OF THIS OFFICIAL STATEMENT.

THE TRUST

General

The Trust was created in 1989 by Chapter 275 of the Acts of 1989, constituting, in part, Chapter 29C of the General Laws of the Commonwealth (collectively, with Chapter 203 of the Acts of 1992, and including all amendments to any of the foregoing, the "Act"). The Trust is a public instrumentality of the Commonwealth responsible for administering the Water Pollution Abatement Revolving Fund (the "Clean Water Revolving Fund") and the Drinking Water Revolving Fund (the "Drinking Water Revolving Fund") established under the Act to provide funding for water pollution abatement projects and drinking water projects, respectively. The Bonds are being issued pursuant to the Act and under and pursuant to a resolution entitled "Amended and Restated Resolution Authorizing and Establishing a Water Pollution Abatement and Drinking Water Project Financing Program" adopted by the Trust on March 4, 1993 (as amended and supplemented, the "Program

Resolution”) and the Trust’s Water Pollution Abatement and Drinking Water Project Bond Resolution, Pool Program, Series 9, adopted by the Trust on October 10, 2003 (the “Bond Resolution”).

Title VI of the federal Clean Water Act, as amended by the federal Water Quality Act of 1987 (the “Clean Water Act”) provides for the establishment of state revolving fund programs to provide financial assistance to borrowers in connection with the construction of publicly owned systems for the storage, treatment, recycling and reclamation of municipal sewage. The amendments to the federal Safe Drinking Water Act adopted in 1996 (the “Drinking Water Act”, and together with the Clean Water Act, the “Federal Acts”) provide for the establishment of state revolving fund programs to provide financial assistance to borrowers, including for-profit companies and not-for-profit community water systems, for expenditures which will facilitate compliance with national drinking water regulations or otherwise advance the health protection objectives of the Drinking Water Act. Under each state program, a state revolving fund is created to accept federal capitalization grants (“Federal Capitalization Grants”) providing approximately 80% of the initial capitalization of the fund and required state matching funds (“Commonwealth Matching Grants”) providing approximately 20% of the initial capitalization of the fund.

The Trust has established a federal program to provide financing to borrowers to fund costs of water pollution abatement projects, including loans (“Title 5 Loans”) to fund community septic management programs, which are eligible for funding pursuant to the Clean Water Act (the “Clean Water Federal Program”). The Trust has also established a federal program to fund costs of drinking water projects which are eligible for funding pursuant to the Drinking Water Act (the “Drinking Water Federal Program,” and together with the Clean Water Federal Program, the “Federal Programs”). The Bonds are being issued under the Federal Programs. The Trust has also established a commonwealth program (the “Commonwealth Program”) to provide financial assistance for costs of water pollution abatement projects that are not eligible for funding pursuant to the Clean Water Act or which the Trust has otherwise determined to finance under the Commonwealth Program.

Organization

The Trust is governed by a three-member Board of Trustees, serving ex officio, consisting of the Treasurer and Receiver-General of the Commonwealth (the “State Treasurer”), whom the Act also designates as the Chairman of the Board of Trustees, the Secretary of the Executive Office for Administration and Finance and the Commissioner of the Department of Environmental Protection (“DEP”). The Trustees and their respective offices are as follows:

<u>Trustee</u>	<u>Office</u>
Timothy P. Cahill, Chairman	Treasurer and Receiver-General of the Commonwealth
Eric A. Kriss, Vice Chairman	Secretary of the Executive Office for Administration and Finance of the Commonwealth
Robert W. Golledge, Jr., Trustee	Commissioner of the Department of Environmental Protection of the Commonwealth

The Act authorizes each Trustee to appoint a designee to serve in the absence of such Trustee. The current designee of the State Treasurer is Jeffrey S. Stearns, Deputy Treasurer, the current designee of the Secretary of Administration and Finance is Timothy R. Murphy, Director of Capital Planning and Operations, and the current designee of the Commissioner of DEP is Steven J. McCurdy, Acting Director, Division of Municipal Services for the DEP.

The Trust is staffed by employees of the three state offices responsible for its administration: the office of the State Treasurer, the Executive Office for Administration and Finance and DEP. The current officers of the Trust appointed by the Board of Trustees are as follows:

<u>Officer</u>	<u>Trust Office</u>
Laura M. Guadagno	Executive Director
Nancy E. Parrillo	Treasurer
Timothy R. Murphy	Director of Finance and Administration
Steven J. McCurdy	Director of Program Development

Pursuant to by-laws adopted by the Board of Trustees, the Executive Director, the Director of Finance and Administration and the Director of Program Development constitute the Executive Committee of the Trust. The Executive Director is the Chairman of the Executive Committee. The Executive Director of the Trust and the Trust's Treasurer serve as full-time staff of the Trust. The Director of Finance and Administration and the Director of Program Development, in addition to their responsibilities to the Trust, have other responsibilities within their respective executive departments. The Executive Director is the chief executive officer of the Trust and is responsible for supervising the administrative affairs and general management and operations of the Trust. The Director of Finance and Administration is responsible for supervising all Commonwealth budget matters relating to the Trust, for preparing an annual budget for the Trust, for overseeing the review of program participants' financial information and for acting as liaison to the Executive Office for Administration and Finance. The Director of Program Development is responsible for supervising the development and implementation of the Trust's financing programs as contemplated by the Act, for coordinating project approvals with DEP and for acting as liaison with the federal Environmental Protection Agency ("EPA"), DEP and the Executive Office of Environmental Affairs of the Commonwealth. The Treasurer is responsible, under the supervision of the Executive Director, for financial controls of the Trust, for supervising all accounting and auditing matters of the Trust, disbursements and payments and for keeping accurate records of all matters with respect to bonds issued by the Trust.

The Federal Programs

The Trust has adopted the Program Resolution to implement the Federal Programs. Under the Program Resolution, the Trust can issue bonds ("Program Bonds") to fund costs of water pollution abatement projects and drinking water projects. The Trust can also finance such project costs by making loans ("Direct Loans") that are funded directly with Federal Capitalization Grants and Commonwealth Matching Grants. The Program Resolution also provides for a loan program to provide temporary loans ("Interim Loans") to borrowers to finance project costs in anticipation of the issuance of Program Bonds.

The Federal Programs provide for the funding of Program Borrower Obligations to finance or refinance the costs of water pollution abatement and drinking water projects which are eligible for funding pursuant to the Federal Acts. Financial assistance provided by the Trust under its Clean Water Federal Program consists of the funding of Program Borrower Obligations with terms up to thirty (30) years from project completion, but in no event longer than the expected useful life of the project financed or refinanced by such obligations. Financial assistance provided by the Trust under its Drinking Water Federal Program consists of the funding of Program Borrower Obligations with terms up to twenty (20) years from project completion.

As of the date of this Official Statement, the Trust has issued the following Program Bonds as part of its Federal Programs: (i) the Trust's MWRA Program, under which bonds issued to provide financial assistance to the Massachusetts Water Resources Authority under the Clean Water Federal Program and the Drinking Water

Federal Program are outstanding in the principal amounts of approximately \$484.5 million and \$31.9 million, respectively, (ii) the Trust's SEDS Loan Program, under which SEDS Bonds issued under the Clean Water Federal Program are outstanding in the principal amount of approximately \$19.0 million, (iii) the Trust's New Bedford Program, under which bonds issued to provide financial assistance to the City of New Bedford under the Clean Water Federal Program are outstanding in the principal amount of approximately \$131.1 million and (iv) the Trust's Pool Program, under which Prior Pool Bonds issued under the Clean Water Federal Program and the Drinking Water Federal Program are outstanding in the principal amounts of approximately \$1.1 billion and \$230.9 million, respectively. In addition, as of the date of this Official Statement the Trust has approximately \$25.4 million in Prior Pool Bonds outstanding under its Commonwealth Program.

As of the date of this Official Statement, Direct Loans from the Trust to borrowers are outstanding under the Federal Programs in the aggregate principal amount of \$147,000 and Interim Loans to borrowers are outstanding under the Federal Programs in the aggregate principal amount of \$106.6 million. Interim Loans in the aggregate principal amount of \$52.8 million will be refinanced with a portion of the proceeds of the Bonds.

Application and Compliance Process

DEP has promulgated regulations which set forth its regulatory and supervisory powers associated with its approval of projects eligible for assistance from the Federal Programs. For each Commonwealth calendar year, DEP establishes an annual priority list for each of the Federal Programs (the "Project Priority Lists") which ranks projects eligible for assistance from the applicable Federal Program on the basis of factors set forth in the DEP regulations. Those projects which are ready to proceed and for which funds are available in the year for which the Project Priority Lists are established are placed on the fundable portion of the applicable Project Priority List. DEP determines which projects on the Project Priority Lists are eligible for funding under the Federal Programs and includes such projects in the related Intended Use Plans ("IUPs"), which are filed with EPA as part of the Trust's application for Federal Capitalization Grants. If DEP determines during the year that a project which appears on the fundable portion of the related Project Priority List is not ready to proceed, the project may be removed from the fundable portion of the Project Priority List and the related IUP and be placed on the extended priority list. Concurrently, DEP evaluates whether any project on the extended priority list is ready to proceed and should be placed on the fundable portion of the applicable Project Priority List and the related IUP.

Any borrower whose project is on a Project Priority List may file an application for assistance from the applicable Federal Program. The application requires that the borrower provide plans and specifications for the project, evidence of the authorization of sufficient funds to finance the project and information on its financial capability. DEP completes a technical review of the application, which includes the review and approval of the project.

DEP's approval of an application and the project to be financed takes the form of a Project Approval Certificate in which DEP certifies to the Trust those costs of the project eligible for funding from the applicable Federal Program. Thereafter, the Trust enters into a funding commitment with the borrower on terms consistent with the Project Approval Certificate. At the time financing is provided by the Trust under the applicable Federal Program, DEP and the borrower enter into a Project Regulatory Agreement, which includes a disbursement schedule, procedures for approval and payment of requisitions and a set of conditions related to the borrower's compliance with DEP regulations and other federal and state statutes and regulations applicable to the construction and operation of the project. DEP also conducts site inspections and other related oversight activities to ensure that the project has been constructed in accordance with plans and specifications previously approved by DEP.

Method of Funding

The Trust, DEP and EPA have entered into a Revolving Fund Operating Agreement for each of the Federal Programs which sets forth rules, procedures and activities to be followed by EPA and the Trust in administering the related Federal Capitalization Grants and Federal Programs. Federal Capitalization Grants are received by the Trust pursuant to the applicable Revolving Fund Operating Agreement and EPA Assistance Agreements between the Trust and EPA. Cash is drawn on the Federal Capitalization Grants under the EPA Automatic Clearinghouse System (“EPA-ACH System”). Cash draws under the system are initiated by a written payment request submitted by the Trust; upon approval of such request, an electronic transfer of funds in the amount requested is made by EPA to the Trust. Commonwealth Matching Grants are received by the Trust pursuant to the Amended and Restated Master Funding Agreement dated as of October 1, 2000 (as amended and supplemented, the “Master Funding Agreement”), entered into by the Trust, DEP, the State Treasurer and the Commonwealth’s Secretary of Administration and Finance. Cash draws on Commonwealth Matching Grants are made by a written request submitted by the Trust to the State Treasurer. No additional appropriation is required for draws under either the Federal Capitalization Grants or Commonwealth Matching Grants. To date, the Trust has been awarded a total of approximately \$785.6 million in Federal Capitalization Grants and approximately \$157.2 million in Commonwealth Matching Grants under the Clean Water Federal Program. The Trust has also received a total of approximately \$187.7 million in Federal Capitalization Grants, which includes approximately \$36.0 million in federally mandated set-asides for technical assistance and other matters, and approximately \$36.4 million in Commonwealth Matching Grants under the Drinking Water Federal Program. In addition, the Commonwealth has appropriated an additional \$30.0 million which may be drawn by the Trust solely to fund or finance Title 5 Loans.

The periodic cash draws by the Trust under the EPA-ACH System are based on the amount of incurred costs for certain eligible projects or activities. However, up to the full amount of the Federal Capitalization Grants and the related Commonwealth Matching Grants allocated to a Borrower Obligation under a Federal Program can be drawn upon immediately to the extent necessary to prevent an imminent default on the related Program Bonds due to the failure by the applicable borrower to repay its debt obligations to the Trust.

Equity and Subsidies

The Trust will provide Federal Capitalization Grants, Commonwealth Matching Grants and other available funds (“Equity”) to fund Direct Loans and to secure Program Borrower Obligations funded with the proceeds of Program Bonds. The Equity allocable to Program Borrower Obligations is transferred to the applicable debt service reserve fund established by the applicable bond resolution for the related series of Program Bonds. The Equity provides security for the series of Program Bonds, as well as subsidies derived from investment earnings as described below. Upon the issuance of a series of Program Bonds the Trust is required to file a certificate (an “Equity Allocation Certificate”) with the bond trustee under the applicable bond resolution and with U.S. Bank National Association, as trustee under the Program Resolution (the “Program Trustee”), setting forth the amount of Equity (the “Equity Requirement”) to be provided for the related Program Borrower Obligations. See “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS - Funding of the Debt Service Reserve Fund with Equity.”

The Program Borrower Obligations provide for scheduled payments by the borrowers in an aggregate amount sufficient to pay all principal and interest due on the related series of Program Bonds. However, the Trust expects to provide substantial subsidies (upon receipt by the Trust) as a credit against such scheduled payments.

The Trust is required by the Act to provide subsidies with respect to projects first approved for funding by DEP on an IUP prior to calendar year 2002 in amounts and at times sufficient to provide the financial equivalent of grants to the borrowers of certain percentages of the eligible project costs (“Grant Equivalency”). All water pollution abatement projects funded since 1992 have been eligible for financial assistance with at least a twenty-five percent (25%) Grant Equivalency. Subject to the availability of Contract Assistance Payments from the Commonwealth as described below, all water pollution abatement and drinking

water projects receiving permanent financing from the Trust on and after October 1, 1995 that were first approved for funding by DEP on an IUP prior to calendar year 2002 are currently eligible to receive financial assistance at a Grant Equivalency level of fifty percent (50%). In addition, the Trust is required by the Act to provide financial assistance at Grant Equivalency levels in excess of twenty-five percent (25%) or fifty percent (50%), as applicable, and up to ninety percent (90%) for certain transition water pollution abatement projects that were included on DEP's Project Priority Lists between fiscal years 1988 and 1991, and, pursuant to specific legislation, for certain other projects. All water pollution abatement projects and drinking water projects first approved for funding by DEP on the IUP for calendar year 2002 or any year thereafter are eligible for financial assistance which results in the financial equivalent of a loan made at an interest rate of two percent (2%).

Subsidies required by the Act are provided in part from investment earnings on debt service reserve funds and other funds and accounts held under the applicable bond resolution ("Equity Earnings"), and in part from payments ("Contract Assistance Payments") which the Trust expects to receive from the Commonwealth pursuant to the Amended and Restated Agreement for Contract Assistance dated as of October 15, 2002 (as amended and supplemented, the "Commonwealth Assistance Contract"), between the State Treasurer, on behalf of the Commonwealth, and the Trust. For certain borrowers, subsidies are also provided in part from investment earnings on Contract Assistance Payments (together with such Contract Assistance Payments, "Commonwealth Subsidies" and, collectively with Equity Earnings, "Subsidy Amounts"). See "THE POOL PROGRAM - Subsidy Amounts."

The Act limits the aggregate annual amount of Contract Assistance Payments that may be provided to projects funded by the Trust. At the date of this Official Statement, the maximum amount of Contract Assistance Payments that will be payable in any fiscal year with respect to all Program Borrower Obligations currently outstanding or for which the Trust has issued firm commitments (including the Borrower Obligations) does not exceed the applicable limits provided in the Act. The Commonwealth Assistance Contract provides that the Trust shall not fund a Program Borrower Obligation if such Program Borrower Obligation, together with all Program Borrower Obligations and commitments therefor then outstanding, would cause the amount of Contract Assistance Payments payable in any fiscal year to exceed the applicable limits.

The obligation of the Commonwealth under the Commonwealth Assistance Contract to provide Contract Assistance Payments to the Trust constitutes a general obligation of the Commonwealth, for which its full faith and credit are pledged. The Commonwealth Assistance Contract is not pledged under the Program Resolution, the Bond Resolution or any other bond resolution of the Trust and is not expected to be pledged for the benefit of any bondowners under any bond resolution adopted by the Trust in the future. The Trust has, however, covenanted in the Bond Resolution to enforce the terms of the Commonwealth Assistance Contract as they pertain to the Bonds.

Releases from Reserves

As described more fully below under "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS," the Bonds are secured by the Debt Service Reserve Fund established and maintained under the Bond Resolution. The Bonds, together with all other Pool Bonds, share in the security provided by a pledge of amounts held in the Pool Program Reserve Fund established under the Program Resolution, consisting of amounts released from time to time from the debt service reserve funds securing all issues of Pool Bonds and a portion of the amounts released from time to time from the debt service reserve fund securing the SESD Bonds. In addition, the Bonds, together with all other Program Bonds issued by the Trust under its Federal Programs, also share in the security provided by a pledge of certain amounts held in the Deficiency Fund established under the Program Resolution, consisting of amounts released from time to time from the Pool Program Reserve Fund and from the debt service reserve funds securing all other issues of Program Bonds.

THE POOL PROGRAM

The Bonds will be the ninth series of Pool Bonds issued by the Trust. The Prior Pool Bonds include eight series of Pool Bonds issued in the original aggregate principal amount of \$1.7 billion between July 1993, and November 2002, of which \$204.5 million was issued as part of the Trust's Pool Program Bonds, Series 7, to refund portions of certain series of Prior Pool Bonds. Upon the issuance of the Bonds, the aggregate outstanding principal amount of Pool Bonds will be approximately \$1.6 billion. See Appendix C – "POOL BONDS DEBT SERVICE AND POOL PROGRAM RESERVE FUND AND POOL BORROWERS" for a description of the Pool Borrowers and Pool Borrower Obligations following issuance of the Bonds.

Plan of Finance

The Bonds are being issued to fund water pollution abatement projects and drinking water projects under the Federal Programs.

Proceeds of the Bonds, including net original issue premium, in the amount of \$123,928,728 will be applied to fund Borrower Obligations under the Clean Water Federal Program with terms of twenty (20) years or less, \$111,635,835 of Bond proceeds will be applied to fund Borrower Obligations under the Clean Water Federal Program with terms between twenty (20) years and thirty (30) years, and \$88,574,115 of Bond proceeds will be applied to fund Borrower Obligations under the Drinking Water Federal Program with terms of twenty (20) years or less. The Bonds will fund Borrower Obligations from the 58 Borrowers described in Appendix C hereto and will refinance up to approximately \$1.5 million of Title 5 Loans on or before the second anniversary of the delivery of the Bonds. If there are unexpended funds left in a Project Account upon completion of the related project, the unexpended funds may be used to prepay a portion of the related Borrower Obligation or to fund new Borrower Obligations issued by other Borrowers for application to costs of other eligible projects. See Appendix B - "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION - Application of Project Fund."

In connection with the issuance of the Bonds, the Trust will deposit Equity (consisting of Federal Capitalization Grants, Commonwealth Matching Grants and other available funds of the Trust) into the Debt Service Reserve Fund until the amount deposited equals the aggregate of the Equity Requirements for all Borrower Obligations funded by the Bonds (either 33%, 40% or 50% of the outstanding principal amount of the Borrower Obligation depending on the type of project being financed, the term of the Borrower Obligation and the date of approval for funding by the Trust of the Borrower Obligation). Borrower Obligations in the amount of \$154,476,873 will have an Equity Requirement of 33%, Borrower Obligations in the amount of \$96,368,377 will have an Equity Requirement of 40% and Borrower Obligations in the amount of \$60,734,750 will have an Equity Requirement of 50%. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – Funding of the Debt Service Reserve Fund with Equity."

While no additional Bonds may be issued under the Bond Resolution, additional Pool Bonds, including refunding bonds, may be issued under other bond resolutions and secured on a parity with the Bonds with respect to the Pool Program Reserve Fund and the Deficiency Fund established under the Program Resolution. The Equity Requirements for the Pool Borrower Obligations funded by additional Pool Bonds may vary from the Equity Requirements for the Borrower Obligations funded by the Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – Additional Bonds" herein.

Sources and Uses of Funds

It is anticipated that the proceeds of the Bonds (net of accrued interest), the Equity to be allocated to the Borrower Obligations, and moneys provided by certain of the Borrowers will be applied as follows:

Sources

Par amount of the Bonds	\$311,580,000.00
Net Original Issue Premium	15,421,973.40
Equity(1)	120,402,000.98
Costs of Issuance and Underwriters' compensation paid directly by certain Borrowers	<u>186,072.72</u>
Total Sources	<u>\$447,590,047.10</u>

Uses

Project Costs(2)	\$325,138,678.00
Debt Service Reserve Fund(1)	120,402,000.98
Costs of Issuance	446,892.12
Underwriters' compensation	<u>1,602,476.00</u>
Total Uses	<u>\$447,590,047.10</u>

- (1) The aggregate amount of Equity allocated to the Borrower Obligations. \$94,143,732.24 of such amount will be deposited in the Debt Service Reserve Fund upon the issuance of the Bonds. The remaining \$26,258,268.74 of Equity will be deposited on or prior to the second anniversary of the delivery of the Bonds. See "THE TRUST - Method of Funding" and "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS - Funding of the Debt Service Reserve Fund with Equity."
- (2) Includes repayment of Interim Loans by certain Borrowers with a portion of the proceeds of the Bonds.

Subsidy Amounts

As more fully described above under "THE TRUST - Equity and Subsidies," the Scheduled Payments to be made by the Borrowers with respect to the Borrower Obligations will be reduced by Subsidy Amounts, consisting of Equity Earnings and Commonwealth Subsidies, upon receipt by the Trust and application thereof as provided in the Bond Resolution.

Equity Earnings with respect to the Borrower Obligations include all investment earnings which the Trust expects to receive from the investment of amounts in the Debt Service Reserve Fund and, until the Debt Service Reserve Fund is fully funded, the related Project Accounts established under the Bond Resolution.

Pursuant to the Commonwealth Assistance Contract, the Commonwealth has agreed to provide Contract Assistance Payments to the Trust to reduce the Scheduled Payments otherwise payable by the Borrowers for a period of 20 years from the date of issuance of the Bonds. Upon receipt by the Trust, each Contract Assistance Payment related to a Borrower Obligation with a term of 20 years or less will be credited against the Scheduled Payments then due on such Borrower Obligations. Contract Assistance Payments with respect to Borrower Obligations with terms in excess of 20 years will be received by the Trust for 20 years and a portion of such Contract Assistance Payments will be applied during such period as a credit against the Scheduled Payments then due on such Borrower Obligations. The balance of such Contract Assistance Payments will be deposited by the Trust in the Subsidy Fund held under the Bond Resolution, and invested as described below until applied to reduce the Scheduled Payments due on such Borrower Obligations after such twenty (20) year period. Amounts on deposit in the Subsidy Fund are pledged to the payment of the Bonds, and are available for the payment of debt service on the Bonds in the event of a Payment Default by the related Borrower before application to such purpose of allocable amounts in the Debt Service Reserve Fund, the Pool Program Reserve Fund or the Deficiency Fund. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – Flow of Funds Under the Bond Resolution" and "Pool Program Reserve Fund and Deficiency Fund Under the Program Resolution."

The Commonwealth Assistance Contract is not pledged as security for the Bonds. Under the Trust's Financing Agreements with the Borrowers, the Borrowers are third-party beneficiaries with respect to the Commonwealth Assistance Contract and with respect to any investments pursuant to which the Trust expects to invest amounts received from the Commonwealth or to derive Equity Earnings. If the Commonwealth should fail to provide payments to the Trust at the times or in the amounts provided in the Commonwealth Assistance Contract, or if the obligor on any such investment should default thereon, the Trust has agreed with the Borrowers pursuant to the Financing Agreements that the Trust will diligently enforce the provisions of the Commonwealth Assistance Contract or such investment and will pursue all remedies available under such contract or such investment and the Act. The Commonwealth has also agreed that the Borrowers may proceed directly against the Commonwealth to recover any amounts payable under the Commonwealth Assistance Contract.

Nevertheless, in the event of a failure by the Commonwealth to provide payments to the Trust in the amounts and at the times set forth in the Commonwealth Assistance Contract, or in the event of a default under any investment providing earnings on such payments or providing Equity Earnings, the Borrowers will remain obligated to make the Scheduled Payments required by the Financing Agreements at the times and in the amounts provided therein. Upon receipt of written notice of a default by the Commonwealth or by the obligor on any such investment, the Borrowers are required within five Business Days to provide moneys in an amount equal to the deficiency created by such default.

To assure the receipt of investment earnings in amounts and at times sufficient to fund all Equity Earnings and Commonwealth Subsidies allocable to the Borrower Obligations, the Trust expects to provide for the investment of all amounts held and to be held in the Debt Service Reserve Fund, the Project Fund and the Subsidy Fund while the Bonds are outstanding by entering into an agreement at or prior to the delivery of the Bonds with Trinity Plus Funding Company, LLC (the "Provider"). The investment agreement will be a general obligation of the Provider. The Provider, however, will not guarantee payment of any portion of the principal of or interest on the Bonds. The Provider's obligations under the investment agreement will be collateralized by: (i) United States Treasury securities; (ii) certificates of participation issued by the Government National Mortgage Association, the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation; or (iii) any corporate or municipal securities rated "AAA" by Standard & Poors Ratings Group ("S&P") and "Aaa" by Moody's Investors Service, Inc. ("Moody's"), all at various levels in excess of 100% of the amount invested, depending on the type of collateral, the rating of the Provider and the frequency of valuation, provided that the Provider's obligations under its investment agreement are not required to be collateralized to the extent that the Provider maintains ratings of at least "AA" by S&P and "Aa2" by Moody's. The collateral securities, if required, will be held by the Bond Trustee or a third-party collateral agent for the account of the Bond Trustee and may be liquidated by the Bond Trustee upon any payment default by the Provider under the investment agreement. Upon any payment default by the Provider, the Provider will be obligated to reimburse the Trust (either directly or through the sale of collateral) for any unpaid principal and accrued interest on the investment agreement and for any loss realized by the Trust upon reinvestment.

As of the date hereof, amounts held in the debt service reserve funds allocable to the Prior Pool Bonds and the SEDS Bonds, are invested in investment agreements with provisions similar to those described above, except that the obligations of the various providers pursuant to each investment agreement for the Pool Program Bonds, Series 1 through and including Series 7, and for the SEDS Bonds were collateralized upon the execution thereof and have been continuously collateralized at levels in excess of 100% of the amount invested, depending on the type of collateral, the rating of the provider and the frequency of the valuation:

<u>Provider</u>	<u>Series</u>	<u>Amount</u>
Bayerische Landesbanke	Series 3 Bonds	\$35.2 million
Girozentrale, acting through its New York branch	1996 SEDS Bonds	\$20.8 million
CDC Funding Corp. ¹	Series 6 Bonds	\$108.7 million
	Series 7 Bonds	\$40.7 million
	Series 8 Bonds	\$107.9 million
HSBC National Bank of New York	Series 1 Bonds	\$11.2 million
	1994 SEDS Bonds	\$7.0 million
MBIA Inc. ²	Series 3 Bonds ³	\$13.1 million
National Westminster Bank, PLC	Series 4 Bonds	\$61.0 million
Société Générale ⁴ acting through its New York branch	Series 2 Bonds	\$18.5 million
	1994 SEDS Bonds	\$21.4 million
	1996 SEDS Bonds	\$8.8 million
Trinity Plus Funding Company	Series 5 Bonds	\$103.1 million
	Series 6 Bonds	\$25.1 million
	Series 7 Bonds	\$8.8 million

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1. The obligations of CDC Funding Corp. with respect to the Series 6 Bonds, the Series 7 Bonds and the Series 8 Bonds are guaranteed by Caisse Des Depots et Consignations.
 2. The obligations of MBIA Inc. are insured by a financial guaranty insurance policy issued by MBIA Insurance Corporation.
 3. An additional \$220,900 of the Series 3 Bonds debt service reserve fund is invested in United States Treasury Obligations - State and Local Government Series.
 4. The obligations of Société Générale are insured by a financial guaranty insurance policy issued by Financial Security Assurance Inc.

Amounts held in the subsidy fund for the Series 5 Bonds up to a maximum amount of \$10.2 million are invested with Trinity Plus Funding Company (except for \$140,800 invested in zero-coupon United States Treasury Obligations - State and Local Government Series (“SLGS”)), and amounts held in the subsidy fund for the Series 6 Bonds up to a maximum amount of \$8.8 million (except for \$37,000 invested in zero-coupon SLGS), amounts held in the subsidy fund for the Series 7 Bonds up to a maximum amount of \$3.8 million and amounts held in the subsidy fund for the Series 8 Bonds up to a maximum amount of \$6.4 million are invested with CDC Funding Corp., in all cases pursuant to investment agreements with provisions and collateral requirements similar to those described above for the debt service reserve funds.

See Appendix C – “POOL BONDS DEBT SERVICE AND POOL PROGRAM RESERVE FUND AND POOL BORROWERS” for a table setting forth the aggregate amount of Scheduled Payments by Pool Borrowers, together with the applicable Subsidy Amounts.

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

Special Obligations

The Bonds are special obligations of the Trust and shall not constitute a pledge of its full faith and credit. The Bonds are payable solely from the funds pledged therefor pursuant to the Bond Resolution and the Program Resolution. The Trust has no taxing power. Neither the Commonwealth nor any political subdivision thereof shall be obligated to pay the Bonds, and neither the faith and credit nor the taxing power of the Commonwealth or any political subdivision shall be pledged to the payment of the Bonds.

Pledge Pursuant to the Resolutions

Pursuant to the Bond Resolution, the Trust has assigned and pledged to the Bond Trustee as security for the payment of the Bonds: (1) all Revenues allocable to the Borrower Obligations, (2) all rights and interests of the Trust in and to all Borrower Obligations and all rights and interests of the Trust under the Financing Agreements therefor (other than its rights of indemnification and reimbursement and its right to receive Administrative Fees thereunder), (3) all rights and interests of the Trust under all Revenue producing contracts allocable to the Borrower Obligations (other than the Master Funding Agreement, any Federal Capitalization Grant Agreement or the Commonwealth Assistance Contract) and (4) all amounts held in all funds and accounts under the Bond Resolution (other than the Rebate Fund). Revenues include Payments received by the Trust from the Borrowers and all Commonwealth Subsidies and Equity Earnings allocable to the Borrower Obligations upon their receipt by the Trust.

As additional security for all Pool Bonds, including the Bonds, the Program Resolution pledges all amounts on deposit from time to time in the Pool Program Reserve Fund established under the Program Resolution. As additional security for all Program Bonds issued under the Federal Programs, including the Bonds, the Program Resolution also pledges all amounts on deposit from time to time in the Deficiency Fund established under the Program Resolution (other than amounts in the Commonwealth Program Account therein). The Program Resolution further pledges to the payment of each Program Borrower Obligation funded from proceeds of Program Bonds, including the Borrower Obligations, all allocable amounts on deposit from time to time in the Leveraged Bond Fund created under the Program Resolution pending transfer of such amounts to the related debt service reserve fund under the applicable bond resolution. The availability of amounts in the Pool Program Reserve Fund and the Deficiency Fund to satisfy deficiencies with respect to Program Bonds issued under the Federal Programs, including the Bonds, is dependent on the Borrowers and other borrowers under the Federal Programs making their payments in a timely manner. See "Pool Program Reserve Fund and Deficiency Fund Under the Program Resolution" herein. For additional information relating to the amount of outstanding Pool Bonds and Program Bonds, see "THE TRUST - The Federal Programs" herein.

Payments by the Borrowers

The Borrower Obligations will be funded pursuant to separate financing agreements (collectively, the "Financing Agreements") between the Trust and the respective Borrowers. Each Financing Agreement has terms and conditions sufficient to provide for the payment of all Scheduled Payments due on the related Borrower Obligation. See "SECURITY FOR THE BORROWER OBLIGATIONS." The Scheduled Payments on the Borrower Obligations, in the aggregate, are equal to the aggregate principal and interest payable on the Bonds.

Funding of the Debt Service Reserve Fund with Equity

Upon the issuance of the Bonds, the Trust will file an Equity Allocation Certificate with the Bond Trustee and the Program Trustee setting forth the Equity Requirement for each of the Borrower Obligations and allocating to the Borrower Obligations moneys from Federal Capitalization Grants, Commonwealth Matching Grants, and other funds available to the Trust deposited or to be deposited in either the Clean Water Equity Fund or the Drinking Water Equity Fund, as applicable.

The Equity Requirement for the Borrower Obligations issued to finance water pollution abatement projects with terms of twenty (20) years or less that were first approved for funding by DEP on an IUP prior to calendar year 2002 is an amount equal to fifty percent (50%) of the principal amount of such Borrower Obligations outstanding from time to time. The Equity Requirement for the Borrower Obligations issued to finance water pollution abatement projects with terms of between twenty (20) years and thirty (30) years that were first approved for funding by DEP on an IUP prior to calendar year 2002 and drinking water projects that were first approved for funding by DEP on an IUP prior to calendar year 2002 is an amount equal to forty percent (40%) of the principal amount of such Borrower Obligations outstanding from time to time. The Equity Requirement for the Borrower Obligations issued to finance water pollution abatement or drinking water projects which were first approved for funding by DEP on the IUP for calendar year 2002 or any year thereafter is an amount equal to thirty-three percent (33%) of the principal amount of such Borrower Obligations outstanding from time to time.

The Equity for a particular Borrower Obligation is available to cure any default by the Borrower in payment of such Borrower Obligation; however, the Equity for a particular Borrower Obligation is not available to cure a default with respect to any other Borrower Obligation. The Equity Requirements for the Prior Pool Borrower Obligations and the SESD Pool Borrower Obligations financed or refinanced with proceeds of the Prior Pool Bonds are either fifty percent (50%), forty percent (40%) or thirty-three percent (33%) of the principal amount of such Prior Pool Borrower Obligations and SESD Pool Borrower Obligations outstanding from time to time, depending on the type of project financed, the length of time the Prior Pool Borrower Obligation or the SESD Pool Borrower Obligation is outstanding and the date of approval for funding of the project by the Trust. The Equity Requirement for Pool Borrower Obligations to be funded by additional Pool Bonds may vary from the Equity Requirement for the Borrower Obligations. See "Additional Bonds" below and Appendix B - "SUMMARY OF CERTAIN PROVISIONS OF THE PROGRAM RESOLUTION - Allocation of Equity."

It is anticipated that the Equity allocable to the Borrower Obligations identified in Appendix C hereto issued to fund water pollution abatement projects and a portion of the Borrower Obligations identified in Appendix C issued to fund drinking water projects will be deposited in the Debt Service Reserve Fund upon the issuance of the Bonds. It is anticipated that the Equity allocable to the remaining Borrower Obligations issued to fund drinking water projects and to the Title 5 Loans to be funded after the issuance of the Bonds will be deposited in the Debt Service Reserve Fund when proceeds of the Bonds are disbursed from the applicable Project Accounts to pay project costs, until the aggregate amount so deposited equals the Equity Requirement for the related Borrower Obligations.

Flow of Funds Under the Bond Resolution

In addition to other funds and accounts described in Appendix B under the heading "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION - Establishment of Funds and Accounts," the Bond Resolution provides for the creation of a Project Fund, consisting of Project Accounts and a Cost of Issuance Account, a Revenue Fund, a Debt Service Fund, the Debt Service Reserve Fund, consisting of a Clean Water Debt Service Reserve Account and a Drinking Water Debt Service Reserve Account to account separately for amounts allocable to the Clean Water Federal Program and the Drinking Water Federal Program, and a Subsidy Fund.

The Bond Trustee shall hold all Borrower Obligations for the credit of the Revenue Fund. The Bond Trustee shall deposit in the Revenue Fund all Payments received from or for the account of the Borrowers, including, without limitation, all Equity Earnings and Commonwealth Subsidies applied as a credit against Scheduled Payments under the applicable Financing Agreement. On or before each principal or interest payment date on the Bonds, the Bond Trustee shall withdraw from the Revenue Fund and the Subsidy Fund, if applicable, and transfer to the Debt Service Fund the amounts, if any, required to provide for the interest and principal on the Bonds due on such date.

Following the deposit to the Debt Service Fund, the Bond Trustee shall transfer any balance remaining in the Revenue Fund *first*, to the Program Trustee in an amount sufficient to reimburse either the Clean Water

Revolving Fund or the Drinking Water Revolving Fund, as applicable, for any prior draw on any fund or account under the Program Resolution due to any Payment Default under any Financing Agreement related to a Borrower Obligation but only from amounts received from the related Borrower with respect to such Payment Default, *second*, to the applicable account within the Debt Service Reserve Fund, to the extent and in the amount of any deficiency therein due to any Payment Default under any Borrower Obligation, but only from amounts received from the related Borrower with respect to such Payment Default, *third*, to the Subsidy Fund, to the extent necessary to satisfy the Subsidy Fund Requirement and to the extent and in the amount of any deficiency in the Subsidy Fund due to any outstanding Payment Default under any Borrower Obligation, but only from amounts received from the related Borrower with respect to such Payment Default, and *fourth*, to the Redemption Fund, if so directed by the Trust. The Bond Resolution permits the Trust to direct the Bond Trustee to pay all or any portion of amounts remaining in the Revenue Fund after such applications to the Trust, provided that prior to any such application the Trust shall have certified that such amounts remaining in the Revenue Fund are not required to make any future payments of interest and principal due or to become due on the Bonds. See Appendix B - "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION - Revenues and Revenue Fund."

Following the payment or provision for payment of all interest and principal payable on the Bonds on a principal payment date, the Bond Trustee shall transfer to the Program Trustee for deposit in the Clean Water Pool Program Reserve Account or the Drinking Water Pool Program Reserve Account of the Pool Program Reserve Fund, as applicable, under the Program Resolution from the applicable account within the Debt Service Reserve Fund, amounts equal to the aggregate reduction in the Equity allocable to all Borrower Obligations due to the receipt of Payments thereon such that the aggregate amount remaining in the Clean Water Debt Service Reserve Account equals the Clean Water Debt Service Reserve Account Requirement and the aggregate amount remaining in the Drinking Water Debt Service Reserve Account equals the Drinking Water Debt Service Reserve Account Requirement calculated on such date for all Borrower Obligations outstanding (after credit for the principal of such Borrower Obligations paid by or on behalf of the Borrowers on such date).

By 1:00 p.m. on any day which is two Business Days prior to any interest or principal payment date for any outstanding Bonds, the Bond Trustee shall promptly notify the Trust and the Program Trustee as to any portion of the debt service payments on the Bonds that will not be paid due to a Payment Default on a Borrower Obligation, or that will be paid from amounts allocable to a Borrower Obligation on deposit in the Debt Service Reserve Fund due to a Payment Default on the Borrower Obligation. To the extent that sufficient amounts allocable to the defaulting Borrower are not available in the Debt Service Reserve Fund for such purpose, such notice shall include a request for amounts from the Pool Program Reserve Fund, and, if necessary, the Deficiency Fund, as described below under "Pool Program Reserve Fund and Deficiency Fund Under the Program Resolution."

Pool Program Reserve Fund and Deficiency Fund Under the Program Resolution

The Program Resolution establishes a Pool Program Reserve Fund and a Deficiency Fund. The Pool Program Reserve Fund secures all Pool Bonds, including the Bonds. The Deficiency Fund secures all Program Bonds, including the Bonds, issued under any bond resolution in accordance with the Program Resolution. The Trust has established two accounts in the Pool Program Reserve Fund, the Clean Water Pool Program Reserve Account and the Drinking Water Pool Program Reserve Account, to account separately for amounts allocable to the Clean Water Federal Program and the Drinking Water Federal Program. Similarly, the Trust has established two accounts in the Deficiency Fund, the Clean Water Deficiency Account (and within such account, two subaccounts, the Federal Program Subaccount and the Commonwealth Program Subaccount) and the Drinking Water Deficiency Account, to account separately for amounts allocable to the Clean Water Federal Program, the Commonwealth Program and the Drinking Water Federal Program.

Pool Program Reserve Fund. As described above under the heading "Flow of Funds Under the Bond Resolution," upon the payment of any principal of Pool Borrower Obligations, including the Borrower Obligations, that portion of the amount on deposit in the related debt service reserve fund equal to the reduction in the Equity allocated to the applicable Pool Borrower Obligations shall be transferred to the Program Trustee

for deposit in the applicable account within the Pool Program Reserve Fund. Transfers of amounts from the debt service reserve fund for the Series 1 Bonds are deposited first in the General Reserve Fund established pursuant to the bond resolution for the Series 1 Bonds and are used to satisfy any deficiencies in the debt service fund and the debt service reserve fund established for the Series 1 Bonds. Any amounts allocable to the Federal Program not so applied with respect to the Series 1 Bonds are then transferred to the Pool Program Reserve Fund.

On the same Business Day as any amounts are transferred to the Pool Program Reserve Fund, the Program Trustee shall transfer such amounts to the applicable account within the Deficiency Fund, provided that, first, such moneys will be applied from the applicable account in the Pool Program Reserve Fund to satisfy any deficiency in a debt service fund with respect to any Pool Bonds, including the Bonds (pro rata with respect to all past due amounts so certified) and, second, to the extent of any deficiency in a debt service reserve fund with respect to any Pool Bonds, including the Bonds, such moneys will be held in the Pool Program Reserve Fund, in an amount equal to the aggregate of all deficiencies so certified in all debt service reserve funds allocable to all Pool Bonds, after giving credit to any amounts held for such purpose under a bond resolution for Pool Bonds. After first applying or retaining any amounts in the Clean Water Pool Program Reserve Account or the Drinking Water Pool Program Reserve Account within the Pool Program Reserve Fund to deficiencies attributable to Pool Borrower Obligations funded under the Clean Water Federal Program or the Drinking Water Federal Program, respectively, amounts in the other Account shall be applied or retained for such deficiencies. See Appendix B - "SUMMARY OF CERTAIN PROVISIONS OF THE PROGRAM RESOLUTION - Pool Program Reserve Fund." See Appendix C - "POOL BONDS DEBT SERVICE AND POOL PROGRAM RESERVE FUND AND POOL BORROWERS" for a table setting forth the amounts expected to be transferred from the debt service reserve funds related to the outstanding Pool Bonds to the Pool Program Reserve Fund and available on each principal and interest payment date to secure Pool Bonds as described above.

Deficiency Fund. Upon the payment of any principal of Program Borrower Obligations funded from proceeds of Program Bonds under the Federal Programs, other than Pool Borrower Obligations, the amount on deposit in the related debt service reserve fund is reduced to the amount of the remaining Equity Requirement for such Program Borrower Obligations, and the excess, or such portion thereof as is not required to fund a debt service reserve fund for any subordinate bonds outstanding under the related bond resolution, is transferred to the Program Trustee for deposit in the applicable account within the Deficiency Fund. On the same Business Day as amounts are transferred to the Deficiency Fund, the Program Trustee shall transfer such amounts together with any amounts transferred from the Pool Program Reserve Fund, as described above, to either the Clean Water Equity Fund or the Drinking Water Equity Fund, as applicable, provided that, first, such moneys will be applied to satisfy any deficiency in a debt service fund with respect to any Program Bonds, including the Bonds, issued under the Federal Programs (pro rata with respect to all past due amounts so certified) and, second, to the extent of any deficiency in a debt service reserve fund with respect to any Program Bonds, including the Bonds, issued under the Federal Programs, such moneys will be held in the Deficiency Fund in an amount equal to the aggregate of all deficiencies so certified in all debt service reserve funds allocable to all Program Bonds outstanding under the Federal Programs, after giving credit to any amounts held for such purpose under a bond resolution for Program Bonds or in the Pool Program Reserve Fund. After first applying or retaining any amounts in the Federal Program Subaccount in the Clean Water Deficiency Account or the Drinking Water Deficiency Account to deficiencies attributable to Program Borrower Obligations funded under the Clean Water Federal Program or the Drinking Water Federal Program, respectively, amounts in the other Account or Subaccount within the Deficiency Fund shall be applied or retained for such deficiencies.

If on the same Business Day as any deposit in the Federal Program Subaccount in the Clean Water Deficiency Account or the Drinking Water Deficiency Account in the Deficiency Fund all deficiencies described in this paragraph have been satisfied (or there are no such deficiencies), any remaining amounts in the Federal Program Subaccount in the Clean Water Deficiency Account and the Drinking Water Deficiency Account in the Deficiency Fund shall be transferred to either the Clean Water Equity Fund or the Drinking Water Equity Fund, as applicable. See Appendix B - "SUMMARY OF CERTAIN PROVISIONS OF THE PROGRAM RESOLUTION - Deficiency Fund."

Additional Bonds

No additional bonds may be issued pursuant to the Bond Resolution. In addition to the Bonds, the Trust intends to issue bonds, including Pool Bonds, pursuant to other bond resolutions to provide financial assistance to borrowers for projects eligible for financing under the Federal Programs. Any additional Pool Bonds will be secured on a parity with the Bonds with respect to the accounts in the Pool Program Reserve Fund and the Deficiency Fund that are pledged pursuant to the Program Resolution. In addition, other bonds may be secured on a parity with all outstanding Program Bonds, including the Bonds, with respect to the accounts in the Deficiency Fund that are pledged pursuant to the Program Resolution. In the Program Resolution, the Trust has reserved the right to create a pledge on the funds and other property pledged to existing Program Bonds, including the Bonds, that is junior and subordinate to any existing pledge, so long as such junior and subordinate pledge does not adversely affect the ratings then assigned to any outstanding Program Bonds. See Appendix B - "SUMMARY OF CERTAIN PROVISIONS OF THE PROGRAM RESOLUTION - Issuance of Program Bonds; Pledge." In the Bond Resolution, the Trust has reserved the right to create a pledge on the Borrower Obligations, Revenues and other property pledged to outstanding Bonds that is junior and subordinate to the pledge of such property to the Bonds so long as any such junior and subordinate pledge does not adversely affect the ratings then assigned to any outstanding Bonds by any rating agency. See Appendix B - "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION - Covenant as to Pledge."

If the Equity Requirement for any of the Pool Borrower Obligations to be financed by additional Pool Bonds is less than the Equity Requirement for any other Pool Borrower Obligations funded by a series of Pool Bonds outstanding, the Trust is required to deliver a certificate to the effect that it has notified each Rating Agency of the proposed issuance of the additional Pool Bonds and has furnished each Rating Agency with a copy of the related bond resolution, accompanied by a letter from each Rating Agency (or other evidence satisfactory to the Bond Trustee) confirming that the reduction in the Equity Requirement for such Pool Borrower Obligations will not by itself cause such Rating Agency to lower, suspend, remove or otherwise modify adversely the credit ratings then assigned by it to any outstanding Pool Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – Funding of the Debt Service Reserve Fund with Equity" and Appendix B - "SUMMARY OF CERTAIN PROVISIONS OF THE PROGRAM RESOLUTION - Conditions Precedent to Securing Program Bonds under Program Resolution."

SECURITY FOR THE POOL BORROWER OBLIGATIONS

Pool Borrowers may include local governmental units, including cities, towns, local and regional water and wastewater districts, municipal water and sewer commissions and the Massachusetts Water Resources Authority, and, in the case of the Drinking Water Federal Program, private, for-profit owners of public water systems and not-for-profit owners of community water systems.

Cities and Towns

Pursuant to the Act, each Pool Borrower which is a city or town is authorized to secure its Pool Borrower Obligation as either a general obligation of such city or town payable from any source, including but not limited to ad valorem taxes, or a revenue obligation secured by water or sewer revenues or other particular revenues of the municipality, or a combination thereof.

Pool Borrower Obligations which are general obligations constitute a pledge of the full faith and credit of the city or town. Payment is not limited to a particular fund or revenue source. Except for the local aid intercepts described under "Local Aid Intercept" and taxes on the increased value of certain property in designated development districts which may be pledged for the payment of bonds issued to finance projects within such districts, neither the Trust nor other holders of general obligations of cities and towns have a statutory priority or security interest in any assets of the municipality, although the use of certain moneys may be restricted.

The principal tax of Massachusetts cities and towns is the tax on real and personal property. Massachusetts law directs municipal tax assessors to include annually in the property tax levy for the next fiscal year “all debt and interest charges matured and maturing during the next fiscal year and not otherwise provided for and all amounts necessary to satisfy final judgments.” The total amount of the tax levy is limited by a statute known as Proposition 2½. However, the voters in each municipality may vote to exclude from the limitation any amounts required to pay debt service on specific bond issues.

The primary limitation on the amount of the tax levy is that the levy cannot exceed 2.5% of the full and fair cash value of the taxable property in the municipality. A secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year, as determined by the state Commissioner of Revenue, by more than 2.5%, subject to an exception for property added to the tax rolls and for certain substantial valuation increases other than as part of a general revaluation. This secondary or “growth” limitation on the tax levy may be exceeded in any year by a majority vote of the voters, but an increase in the growth limit under this procedure does not permit a tax levy in excess of the primary limitation. The applicable tax limits may also be reduced in any year by a majority vote of the voters. The state Commissioner of Revenue may adjust any tax limit “to counterbalance the effects of extraordinary, non-recurring events which occurred during the base year.”

Except for taxes on the increased value of certain property in designated development districts which may be pledged for the payment of debt service on bonds issued to finance projects in such districts, no provision is made under Massachusetts law for a lien on any portion of the tax levy to secure particular bonds or notes or bonds and notes generally (or judgments on bonds or notes) in priority to other claims. Provision is made, however, for borrowing to pay judgments rendered after the tax levy has been fixed. With the approval of the state Director of Accounts, judgments may also be paid from available funds without appropriation and included in the next tax levy unless other provision is made.

Massachusetts cities and towns are subject to suit on their general obligation bonds and notes, and courts of competent jurisdiction have power in appropriate proceedings to order payment of a judgment on the bonds or notes from lawfully available funds or, if necessary, to order the city or town to take lawful action to obtain the required money, including the raising of it in the next annual tax levy, within the Proposition 2½ limits.

Regional Sewer Districts

Certain regional districts, which include two or more cities or towns, including the SESD, have been established by the Massachusetts legislature to provide wastewater services within the district. Pool Borrower Obligations of such districts are general obligations of the districts, which have no taxing power and which assess debt service and other costs upon the constituent cities and towns within the district in accordance with the laws under which the districts were organized and with contractual agreements among such cities and towns. The constituent municipalities’ obligations to pay such district assessments are general obligations of the municipalities, generally subject to the limitations of Proposition 2½ described above.

Water Districts

Certain water districts have been established by the Legislature for the purpose of providing drinking water services to a designated area of a city or town, or to designated areas within more than one city or town. Such districts have taxing power within their specified service area, and also have the ability to charge water rates within such service area. They can impose taxes and set their rates and charges independently, and their rates and charges are not subject to regulation by any other governmental body. The Pool Borrower Obligations of such districts are general obligations of the districts, generally subject to the limitations of Proposition 2½ described above.

Municipal Water and Sewer Commissions and the Massachusetts Water Resources Authority

Pool Borrower Obligations funded by the Trust for municipal water and sewer commissions and for the Massachusetts Water Resources Authority (“MWRA”) are payable from retail or wholesale water and sewer revenues. Such commissions and the MWRA are public instrumentalities and political subdivisions of the Commonwealth which are responsible for the operation of the water and wastewater systems of a particular service area. They have no taxing power, but fund their operations through the collection of fees and charges. They set their rates and charges independently, and their rates and charges are not subject to regulation by any other governmental body. To finance improvements to their water and wastewater systems, such commissions and the MWRA issue revenue bonds secured by a lien on their revenues. The Pool Borrower Obligations of the MWRA and certain of such commissions are subordinated as to both lien and payment to the senior indebtedness issued by the MWRA or such commission, as applicable.

Private Water Systems

Under the Drinking Water Act, private, for-profit owners of public water systems and not-for-profit owners of community water systems (as defined by the Drinking Water Act) may qualify for financial assistance from the Trust’s Drinking Water Federal Program. Upon the issuance of the Bonds, there will be two outstanding Pool Borrower Obligations of private owners funded with proceeds of Pool Bonds. Each such Pool Borrower Obligation is a general obligation of the applicable private owner, payable from assessments charged to the users of the applicable water system. Additionally, payment of the principal and interest on one such Pool Borrower Obligation is secured by an irrevocable letter of credit issued to the Trust, and payment of the principal and interest on the other such Pool Borrower Obligation is guaranteed by the parent company of the Pool Borrower, in each case on terms and conditions satisfactory to the Trust.

Local Aid Intercept

Upon a Payment Default, the Trust is authorized by the Act to utilize a mechanism referred to as a “local aid intercept” to obtain state financial assistance that would otherwise be transferred by the State Treasurer to any local governmental unit to which such Payment Default is directly or indirectly attributable.

Pursuant to the Act, if a Pool Borrower which is a city, town or water district fails to make a timely payment of its debt service payments on its Pool Borrower Obligation, the Trust is authorized to certify to the State Treasurer the amount owing to the Trust by reason of such failure, and the State Treasurer shall promptly pay to the Trust such amount, without further appropriation, from any local aid distribution otherwise payable to such Pool Borrower. Pool Borrowers which are water districts or owners of private water systems generally receive little or no state financial assistance. Therefore, the value of the local aid intercept to the Trust is minimal or non-existent in the case of such Pool Borrowers.

If a city or town or other governmental service recipient of a regional local governmental unit, including regional districts and the MWRA, fails to pay when due any charges of the regional entity required for the regional entity to meet its debt service payments on its Pool Borrower Obligations, the Act authorizes the regional entity to certify to the State Treasurer the amount owing to such regional entity by reason of such failure, and the State Treasurer shall promptly pay to the regional entity such amount, without further appropriation, from any local aid distribution otherwise payable to such city or town or other service recipient. If the Trust determines that a regional entity’s failure to make a timely payment on its debt service payments on its Pool Borrower Obligations is due to the failure by a city or town or other service recipient of such regional entity to pay an assessment or charge to the regional entity and that the regional entity has failed or refused to use the local aid intercept pursuant to the Act or any similar provision of law, then the Trust is authorized by the Act to certify to the State Treasurer the amount owing to the regional entity by reason of such failure, and the State Treasurer shall promptly pay to the Trust such amount, without further appropriation from any local aid payment otherwise payable to such city or town or service recipient. Any dispute regarding the amount of such local aid payments of

cities, towns or other service recipients of a regional entity that are intercepted and paid by the State Treasurer to the Trust is subject to arbitration by an appeals board established by the Act.

If a Pool Borrower is an agency, commission or instrumentality of a city or town, the State Treasurer shall pay the local aid intercept to the Trust from amounts otherwise payable to such city or town as local aid distributions.

Massachusetts law provides for other local aid intercepts under the Massachusetts Qualified Bond Act and for amounts due to the Commonwealth from a city or town for certain assessments, including assessments to the Massachusetts Bay Transportation Authority and the MWRA. Under the Qualified Bond Act, local debt service is paid directly by the Commonwealth, which then reimburses itself from otherwise distributable local aid. The Qualified Bond Act also contains a legislative covenant with bondholders that the act itself will not be modified to divert local aid to other purposes. The effect of this covenant, which was enacted in 1980, on the local aid intercept provisions in the Act, which was enacted in 1989, is uncertain, but it may be construed to grant a priority to holders of bonds issued under the Qualified Bond Act. With respect to the local aid intercepts that are triggered by a local default, Massachusetts law does not establish a priority of payment in the event of two or more defaults by a city or town which subject such city or town to such remedy.

DESCRIPTION OF THE BONDS

General

The Bonds will be dated November 1, 2003, will bear interest therefrom, payable on February 1 and August 1 of each year, commencing February 1, 2004, and will mature on August 1, as indicated, in the years and in the principal amounts set forth on the inside cover page hereof. The principal of, premium, if any, and interest on the Bonds will be payable at the corporate trust office of Wells Fargo Bank Minnesota, National Association, as trustee under the Bond Resolution (the "Bond Trustee"), or at the office designated for such payment by any successor Bond Trustee.

As long as the Bonds are registered in book-entry only form, principal and interest will be payable solely to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), as the sole registered owner of the Bonds. See "Book-Entry Only System" herein. If Bonds are issued in certificated form, interest on the Bonds will be payable thereafter to the person appearing on the registration books of the Bond Trustee as the registered owner thereof on the Record Date by check or draft mailed on the interest payment date to the registered owner or, following appropriate notice to the Bond Trustee, by wire transfer on the interest payment date to any owner of at least \$1,000,000 in aggregate principal amount of the Bonds. The Bond Resolution establishes the fifteenth day of the month preceding each interest payment date (or if such day is not a Business Day, the next preceding Business Day) as the Record Date for such interest payment date.

Redemption

Optional Redemption. The Bonds maturing on or before August 1, 2015 are not subject to redemption prior to maturity. The Bonds maturing on August 1, 2016 through and including August 1, 2018 shall be subject to redemption at any time on and after August 1, 2015 and the Bonds maturing on or after August 1, 2019 shall be subject to redemption at any time on or after August 1, 2013, in either case, at the option of the Trust, from any moneys available therefor, in whole or in part in such order of maturities as shall be determined by the Trust, at a redemption price equal to the principal amount of the Bonds or portions thereof to be redeemed, together with accrued interest to the redemption date.

Mandatory Sinking Fund Redemption. The Bonds maturing on August 1, 2028 are also subject to mandatory sinking fund redemption in part, on the dates and in the amounts set forth below, at a redemption price equal to the principal amount of each Bond or portion thereof redeemed, plus accrued interest to the redemption date:

<u>August 1</u>	<u>Amount</u>
2024	\$4,130,000
2025	4,295,000
2026	4,460,000
2027	4,630,000
2028†	4,805,000

† Stated maturity.

The Bonds maturing on August 1, 2033 are also subject to mandatory sinking fund redemption in part, on the dates and in the amounts set forth below, at a redemption price equal to the principal amount of each Bond or portion thereof redeemed, plus accrued interest to the redemption date:

<u>August 1</u>	<u>Amount</u>
2029	\$4,995,000
2030	5,200,000
2031	5,400,000
2032	5,605,000
2033†	5,710,000

† Stated maturity.

If the Trust so directs, the Bond Trustee shall apply moneys held in the Debt Service Fund under the Bond Resolution prior to the forty-fifth (45th) day preceding a sinking fund redemption date to the purchase of Bonds of the maturity that are subject to such sinking fund redemption, at prices not exceeding the redemption price payable for such Bonds pursuant to such sinking fund redemption, plus unpaid interest accrued to the date of purchase. Upon such purchase of any Bond, the Bond Trustee shall then credit an amount equal to the principal of the Bond so purchased towards the sinking fund installments for the Bonds in accordance with a certificate of the an Authorized Officer of the Trust.

Selection of Bonds to be redeemed. If less than all of the Bonds of a particular maturity are redeemed, and so long as the book-entry only system remains in effect for the Bonds, the Bonds of such maturity to be redeemed shall be selected by lot by DTC in such manner as DTC shall determine. If the book-entry only system no longer remains in effect for the Bonds, selection for redemption of less than all of the Bonds of a particular maturity will be made by the Bond Trustee by lot as provided in the Bond Resolution. If any of the Bonds to be redeemed are Bonds for which sinking fund installments have been established, the Trust shall select the dates and amounts by which such sinking fund installments are to be reduced.

Notice to Bondholders. Notice of redemption of Bonds shall be mailed, not less than thirty (30) nor more than sixty (60) days prior to the date of redemption, to the registered owners of the Bonds, or portions thereof, so called, but the failure to so mail such notice or any defect therein with respect to any particular Bonds shall not affect the validity of such call for redemption of any Bonds with respect to which no such failure or defect has occurred. All Bonds called for redemption will cease to bear interest on the specified redemption date, provided funds sufficient for the redemption of such Bonds in accordance with the Bond Resolution are on deposit with the Bond Trustee. If such moneys are not available on the redemption date, the Bonds or portions thereof will continue to bear interest until paid at the same rate they would have borne had they not been called for redemption. If, at the time of mailing of the notice of optional redemption, moneys have not been deposited

with the Bond Trustee in an amount sufficient to redeem all the Bonds called for redemption, such notice may state that it is conditional, *i.e.*, subject to the deposit of sufficient moneys not later than the opening of business on the redemption date, and any such notice shall be of no effect unless such moneys are deposited. So long as the book-entry only system is in effect, redemption notices shall be sent only to the Depository Trust Company or its nominee. See “Book-Entry Only System” herein.

Book-Entry Only System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities and Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants includes both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as the New York Stock Exchange, Inc., the American Stock Exchange, LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (a “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds, except in the event that use of the book-entry only system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose

accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detailed information from the Trust or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Trust, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal and interest payments to Cede & Co., (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trust or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Trust believes to be reliable, but neither the Trust nor the Underwriters takes responsibility for the accuracy thereof.

No Responsibility of the Trust, the Bond Trustee or Paying Agent

NONE OF THE TRUST, THE PAYING AGENT OR THE BOND TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDOWNERS OR REGISTERED OWNERS OF THE BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

Certificated Bonds

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Trust and the Bond Trustee. In addition, the Trust may determine that continuation of the system of book-entry transfers through DTC (or a successor securities depository) is not in the best interests of the Beneficial Owners. If for either reason the Book-Entry Only system is discontinued, Bond certificates will be delivered as described in the Bond Resolution and the Beneficial Owner, upon registration of certificates held in the Beneficial Owner's name, will become the Bondowner. Thereafter, Bonds may be

exchanged for an equal aggregate principal amount of Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the principal corporate trust office of the Bond Trustee. The transfer of any Bond may be registered on the books maintained by the Bond Trustee for such purpose only upon the assignment in the form satisfactory to the Bond Trustee. For every exchange or registration of transfer of Bonds, the Trust and the Bond Trustee may make a charge sufficient to reimburse them for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, but no other charge may be made to the Bondowner for any exchange or registration of transfer of the Bonds. The Trust will not be required to transfer or exchange any Bond during the notice period preceding any redemption if such Bond or any part thereof is eligible to be selected or has been selected for redemption.

ABSENCE OF LITIGATION

There is not now pending against the Trust any litigation restraining or enjoining the issuance or delivery of the Bonds or questioning or affecting the validity of the Bonds or the proceedings and authority under which the Bonds are to be issued, or the pledge or application of any moneys or the security provided for the payment of the Bonds, or the existence or powers of the Trust or restraining or enjoining the execution, delivery or performance of the Bonds, the Program Resolution, the Bond Resolution, the Financing Agreements or the proceedings under which they were issued or authorized or questioning or affecting the validity of any such agreements.

There is not now pending against the Commonwealth any litigation restraining or enjoining the execution, delivery or performance of the Commonwealth Assistance Contract or the Master Funding Agreement, or questioning or affecting the validity of such agreements.

In connection with the issuance of Borrower Obligations to the Trust, each Borrower has certified or will certify that there was not or is not then pending against such Borrower any litigation restraining or enjoining the undertaking or issuance or delivery of the Borrower Obligations or the proceedings and authority under which such Borrower Obligations are to be undertaken or issued, as applicable, or the pledge or application of any moneys or the security provided for the payment of such Borrower Obligations, or the existence or powers of such Borrower, or restraining or enjoining the execution, delivery or performance of such Borrower Obligations or the proceedings under which they were issued or authorized.

LEGAL INVESTMENTS

Under the provisions of the Act, the Bonds are securities in which public officers and agencies, insurance companies, financial institutions, investment companies, executors, administrators, trustees and others may properly invest funds including capital in their control. The Bonds, under the Act, are securities which may be deposited with any public officer or any agency for any purpose for which the deposit of bonds is authorized by law. Certain of such investors may be subject to separate restrictions which limit or prevent their investment in the Bonds.

TAX EXEMPTION

Bond Counsel is of the opinion that, under existing law, interest on the Bonds will not be included in the gross income of holders of the Bonds for federal income tax purposes. This opinion is expressly conditioned upon continued compliance with certain requirements imposed by the Internal Revenue Code of 1986, as amended (the "Code"), which must be satisfied subsequent to the date of issuance of the Bonds in order to assure that interest on the Bonds is and continues to be excludable from the gross income of holders of the Bonds. Failure to comply with certain of such requirements could cause interest on the Bonds to be included in the gross income of holders of the Bonds retroactive to the date of issuance of the Bonds. In particular, and without limitation, these requirements include restrictions on the use, expenditure and investment of Bond proceeds and the payment of rebate, or penalties in lieu of rebate, to the United States, subject to certain exceptions. The Borrowers and, to the extent necessary, the Trust have provided covenants and certificates as to continued compliance with such requirements.

In the opinion of Bond Counsel, under existing law, since the Bonds are not “private activity bonds” under the Code, interest on the Bonds will not constitute a preference item under Section 57(a)(5) of the Code for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations under Section 55 of the Code. However, interest on the Bonds will be included in “adjusted current earnings” of corporate holders of the Bonds and therefore will be taken into account under Section 56(g) of the Code in the computation of the alternative minimum tax applicable to certain corporations.

Bond Counsel has not opined as to any other matters of federal tax law relating to the Bonds. However, prospective purchasers should be aware of certain collateral consequences which may result under federal tax law for certain holders of the Bonds: (i) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of a holder’s interest expense allocated to interest on the Bonds, (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for losses incurred by 15 percent of the sum of certain items, including interest on the Bonds, (iii) interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iv) passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for an S Corporation that has Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such S Corporation is passive investment income, (v) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account in determining gross income receipts or accruals of interest on the Bonds, and (vi) receipt of investment income, including interest on the Bonds, may, pursuant to Section 32(i) of the Code, disqualify the recipient from obtaining the earned income credit provided by Section 32(a) of the Code.

In the opinion of Bond Counsel, under existing law, interest on the Bonds and any profit on the sale thereof are exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Bonds. Prospective purchasers should be aware, however, that the Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Bonds and the interest thereon are included in the measure of Massachusetts corporate excise and franchise taxes. Bond Counsel has not opined as to the taxability of the Bonds or the income therefrom under the laws of any state other than Massachusetts.

For federal and Massachusetts tax purposes, interest includes original issue discount. Original issue discount with respect to a Bond is equal to the excess, if any, of the stated redemption price at maturity of such Bond over the initial offering price thereof to the public, excluding underwriters and other intermediaries, at which price a substantial amount of all Bonds with the same maturity were sold. Original issue discount accrues actuarially over the term of a Bond. Holders should consult their own tax advisers with respect to the computation of original issue discount on such accruals of interest during the period in which any such Bond is held.

An amount equal to the excess, if any, of the purchase price of a Bond over the principal amount payable at maturity constitutes amortizable bond premium for federal and Massachusetts tax purposes. The required amortization of such premium during the term of a Bond will result in reduction of the holder’s tax basis in such Bond. Such amortization also will result in reduction of the amount of the stated interest on the Bond taken into account as interest for tax purposes. Holders of Bonds purchased at a premium should consult their own tax advisers with respect to the determination and treatment of such premium for federal income tax purposes and with respect to state or local tax consequences of owning such Bonds.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the Trust and to reoffer such Bonds at the public offering prices or yields set forth on the inside cover page hereof, upon receipt of compensation from the Trust and the Borrowers in an aggregate amount equal to \$1,602,476 a portion of which will be realized by purchasing the Bonds at a discount from such offering prices. The Bonds may be offered and sold to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than such public offering prices and such prices may be changed, from time to time, by the Underwriters. The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all the Bonds if any Bonds are purchased. The Underwriters have designated Citigroup Global Markets Inc. as their representative.

RATINGS

The Bonds have been rated "AAA" by Fitch Ratings, Inc. ("Fitch"), One State Street Plaza, New York, New York, "Aaa" by Moody's Investors Services, Inc. ("Moody's"), 99 Church Street, New York, New York, and "AAA" by Standard & Poor's Ratings Group, ("Standard & Poor's") 55 Water Street, New York, New York. The ratings assigned by Fitch, Moody's and Standard & Poor's express only the views of the rating agencies. The explanation of the significance of the ratings may be obtained from Fitch, Moody's and Standard & Poor's, respectively. There is no assurance that any rating will continue for any period of time or that it will not be revised or withdrawn. Any revision or withdrawal of ratings on the Bonds may have an effect on the market price thereof.

FINANCIAL ADVISOR

Lamont Financial Services Corporation has served as Financial Advisor to the Trust with respect to the sale of the Bonds. The Financial Advisor has assisted in various matters relating to the planning, structuring and issuance of the Bonds.

CERTAIN LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds will be approved by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel, Boston, Massachusetts. The approving opinion of Bond Counsel with respect to the Bonds will be in substantially the form attached hereto as Appendix D. Certain matters will be passed upon for the Trust by Palmer & Dodge LLP, Boston, Massachusetts, Program Counsel to the Trust. Certain matters will be passed upon for the Underwriters by Gadsby Hannah LLP, Boston, Massachusetts. Certain legal matters have been or will be passed upon for each Borrower by its bond counsel, including matters relating to the validity and enforceability of the obligations of such Borrower under the applicable Financing Agreement. Palmer & Dodge LLP serves as bond counsel to certain of the Borrowers.

OTHER AVAILABLE INFORMATION

The Trust prepares an Annual Report with respect to each fiscal year ending June 30 which generally becomes available in November of the following fiscal year. The Annual Report includes information relating to the Trust and its loan programs and operations and audited financial statements for the fiscal year ending June 30. The Department of the State Auditor also audits all agencies, departments and authorities of the Commonwealth, including the Trust, at least every two years. Copies of audit reports may be obtained from the State Auditor, State House, Room 229, Boston, Massachusetts 02133.

Questions regarding this Official Statement or requests for additional information concerning the Trust, including its most recent audited annual financial statements, should be directed to Nancy Parrillo, Treasurer, Massachusetts Water Pollution Abatement Trust, One Ashburton Place, Boston, Massachusetts 02108, telephone (617) 367-3900. Questions regarding legal matters should be directed to John R. Regier or Navjeet K. Bal,

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, Massachusetts 02111, telephone (617) 542-6000.

The Commonwealth prepares its Comprehensive Annual Financial Report (“CAFR”) with respect to each fiscal year ending June 30, which becomes available in January of the following fiscal year. Copies of the CAFR may be obtained by requesting the same in writing from the Office of the Comptroller, One Ashburton Place, Room 909, Boston, Massachusetts 02108. For further information about the Commonwealth, specific reference is made to the Commonwealth’s Information Statement dated September 18, 2003 (the “Information Statement”), as it appears as Appendix A in the Official Statement dated September 18, 2003 relating to the Commonwealth’s General Obligation Bond Anticipation Notes, 2003 Series A. Specific reference is also made to the updated information supplementing the Information Statement set forth under the heading “RECENT DEVELOPMENTS” in the Official Statement dated October 1, 2003 for the Commonwealth’s General Obligation Bonds, Consolidated Loan of 2003, Series D and General Obligation Refunding Bonds, 2003 Series D. Copies of the aforesaid Official Statements have been filed with the Municipal Securities Rulemaking Board and with each Nationally Recognized Municipal Securities Information Repository currently recognized by the Securities and Exchange Commission. Copies of the aforesaid Official Statements may also be obtained from the Trust and the Underwriters. The Information Statement, as so supplemented, should be read in its entirety in order to obtain appropriate fiscal, financial and economic information concerning the Commonwealth.

Questions regarding the Commonwealth’s Information Statement or requests for additional financial information concerning the Commonwealth should be directed to Jeffrey S. Stearns, Deputy Treasurer, Office of the Treasurer-Receiver General, One Ashburton Place, Twelfth Floor, Boston, Massachusetts 02108, telephone (617) 367-3900, or Timothy R. Murphy, Director of Capital Planning and Operations, Executive Office for Administration and Finance, State House, Room 272, Boston, Massachusetts 02133, telephone (617) 727-2040.

CONTINUING DISCLOSURE

The Trust and the Commonwealth have undertaken for the benefit of the owners (including beneficial owners) of the Bonds to provide certain continuing disclosure. The undertakings have been made pursuant to the provisions of Rule 15c2-12(b)(5) under the Securities Exchange Act of 1934 (as amended, the “Rule”).

More specifically, the Trust will agree for the benefit of the owners of the Bonds in a Continuing Disclosure Certificate to be executed by the Trust at or prior to the issuance of the Bonds to provide certain financial information relating to the Trust (the “Trust Annual Information”) no later than 270 days after the end of each fiscal year and to provide notices of the occurrence of certain enumerated events, if material. The Trust Annual Information will be filed by the Trust with each NRMSIR and with any state depository in the Commonwealth. Notices of enumerated events will be filed by the Trust with each NRMSIR or the MSRB and with the state depository, if any. The nature of the information to be included in the Trust Annual Information and the notices of enumerated events is set forth under Appendix E - “SUMMARY OF CONTINUING DISCLOSURE UNDERTAKINGS.”

In addition, each Borrower will agree in its Financing Agreement to provide an annual report to the Trust, containing or incorporating the most recently available audited financial statements of such Borrower, not later than 270 days after the close of each fiscal year during any period during which such Borrower is an “obligated person” with respect to the Bonds within the meaning of the Rule, as evidenced by a notice to that effect furnished to the Borrower by the Trust. In accordance with a standard adopted by the Trust pursuant to the Rule, a Borrower shall be considered an “obligated person” with respect to the Bonds if the aggregate principal amount of all of its Pool Borrower Obligations outstanding as of the end of any fiscal year constitutes 20% or more of the aggregate principal amount of all Pool Borrower Obligations outstanding as of the end of such fiscal year. The Trust will file the annual reports, if any, received from Borrowers with each NRMSIR and state depository, if any, at the same time and in the same manner as the Trust Annual Information. As of the date of the issuance of the Bonds, no Pool Borrowers are considered “obligated persons” with respect to the Bonds.

Further, prior to the issuance of the Bonds, the Trust and the Commonwealth will enter into the Commonwealth Continuing Disclosure Agreement pursuant to which the Treasurer and Receiver-General of the Commonwealth will agree, for the benefit of the owners of the Bonds, to provide certain annual financial information and operating data concerning the Commonwealth. Such information will be filed by the Commonwealth in the same manner as the Trust Annual Information. The nature of such information is also set forth under Appendix E - "SUMMARY OF CONTINUING DISCLOSURE UNDERTAKINGS."

The sole remedy for any owner or beneficial owner of a Bond upon any failure by the Trust, a Borrower, or the Commonwealth to fulfill its continuing disclosure undertakings is a suit in equity for specific performance of the undertakings and not for money damages.

The Trust and the Commonwealth have complied in all material respects with their existing undertakings to provide annual reports and notices of material events in accordance with the Rule.

FURTHER INFORMATION

The references herein to and summaries of federal, Commonwealth and local laws, including but not limited to the Code, the laws of the Commonwealth, the Act and the Federal Acts, and to certain documents and agreements pertaining to the Bonds, are summaries of certain provisions thereof. Such summaries do not purport to be complete and are qualified in their entirety by reference to such acts, laws, documents or agreements. Copies of the Program Resolution, the Bond Resolution, the Financing Agreements, the Commonwealth Assistance Contract and the Master Funding Agreement are available for inspection during normal business hours at the office of the Trust.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. Neither this Official Statement nor any statement that may have been made orally or in writing shall be construed as a contract or as a part of a contract with the original purchasers or any holders of the Bonds.

MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST

By: /s/ Timothy P. Cahill
Timothy P. Cahill
Chairman, Board of Trustees

October 10, 2003

DEFINITIONS OF CERTAIN TERMS

In addition to the terms defined elsewhere in this Official Statement, the following are summary definitions of certain terms used in the Program Resolution, the Bond Resolution, the Financing Agreements and in this Official Statement.

“Administrative Fees” means annual or other periodic fees paid by or for the account of a Borrower to defray administrative expenses of the Trust relating to the Program in the amounts set forth in, or determined in accordance with, the applicable Financing Agreement.

“Aggregate Debt Service” for any Fiscal Year means, as of any date of calculation, the sum of the amounts of Debt Service for such year with respect to the Bonds Outstanding.

“Allocated Equity” means the amount of Equity, if any, allocated to a Loan or to an issue of Local Governmental Obligations as specified in an Equity Allocation Certificate.

“Authenticating Agent” means the Bond Trustee.

“Bond Act” means, collectively, the laws of the Commonwealth, including without limitation the Act, under or pursuant to which any local governmental obligations are issued by a Borrower to the Trust.

“Bondowner” and the term “Owner” or “owner” or any similar term, when used with reference to Bonds, means the registered owner of any Bond.

“Bond Resolution,” as used in the Financing Agreements, means the Trust’s Water Pollution Abatement and Drinking Water Project Bond Resolution, Pool Program, Series 9; as used in the Program Resolution, the term “bond resolution” means any resolution or trust agreement adopted or entered into by the Trust for the purpose of providing for the issuance of, and security for, Program Bonds and the term “pool bond resolution” means any resolution or trust agreement adopted or entered into by the Trust for the purpose of providing for the issuance of, and security for, Pool Bonds.

“Borrower” with respect to a Loan or any Local Governmental Obligation means the local governmental unit or other eligible borrower which is the obligor on such Loan or Local Governmental Obligation, or any body, agency, political subdivision, officer or other instrumentality of the Commonwealth which shall hereafter succeed to the powers, duties and functions of said local governmental unit or other eligible borrower.

“Business Day” means any day other than a Saturday, a Sunday or any other day on which banks doing business in the Commonwealth are authorized or required to be closed for business.

“Clean Water Act” means Title VI of the Federal Water Pollution Control Act (Pub. L. 92-500, commonly known as the Clean Water Act), as amended by the Federal Clean Water Act of 1987 (Pub. L. 100-4), as the same may be further amended from time to time, and all regulations of the United States Environmental Protection Agency applicable thereto, as amended from time to time.

“Clean Water Debt Service Reserve Account Requirement” means, at any date of calculation, an amount equal to the aggregate Equity Requirement for all Clean Water Obligations outstanding, less (i) the aggregate amount, if any, on deposit in the Clean Water Leveraged Bond Account within the Leveraged Bond Fund that is applicable to such Clean Water Obligations, and (ii) the aggregate amount, if any, thereafter available to be drawn under Federal Capitalization Grants or Commonwealth Matching Grants or otherwise pursuant to any Grant Agreement that has been allocated as Equity for such Clean Water Obligations.

“Clean Water Loan” means any Loan made by the Trust for the purpose of financing or refinancing Costs of a Clean Water Project.

“Clean Water Obligations” means a Loan provided by the Trust to, or any Local Governmental Obligations purchased from, a Borrower to finance or refinance all or any part of the Cost of a Clean Water Project.

“Clean Water Program” means the program administered by the Trust and DEP in accordance with the Act and the Program Resolution to finance Loans and Interim Loans to local governmental units, and to purchase Local Governmental Obligations from local governmental units, for Costs of Clean Water Projects.

“Clean Water Project” means a “water pollution abatement project” as defined in the Act.

“Clean Water Revolving Fund” means the Water Pollution Abatement Revolving Fund established pursuant to Section 2L of Chapter 29 of the General Laws of the Commonwealth.

“Clean Water SRF” means the federal water pollution control revolving fund contemplated by the Clean Water Act.

“Code” means the Internal Revenue Code of 1986, as amended from time to time, and all Treasury Regulations promulgated thereunder to the extent applicable to any Program Bonds, Bonds, Loans, Interim Loans or Local Governmental Obligations, as the case may be.

“Commonwealth Matching Grant” means an amount provided to the Trust in accordance with the Clean Water Act or the Drinking Water Act, as applicable, the Act and the Master Funding Agreement as a matching grant to a Federal Capitalization Grant.

“Cost,” when used with reference to a Project, means any “cost” thereof (as defined in the Act) approved by DEP including without limitation all costs, whenever incurred, of carrying out a Project (whether or not eligible for financial assistance pursuant to Section 6, Section 6A or Section 18 of the Act), costs of planning, preparation of studies and surveys, design, construction, expansion, facilities, improvement and rehabilitation, acquisition of real property, personal property, materials, machinery or equipment, start-up costs, demolitions and relocations, reserves and working capital, administrative, legal and financing expenses, and other expenses necessary or incidental to the foregoing.

“Debt Service” means, with respect to Bonds Outstanding in any particular period, an amount equal to the sum of (1) all interest payable on such Bonds during such period (other than interest, if any, included in the Principal Installments on such Bonds payable in such period) plus (2) the Principal Installment or Installments of such Bonds payable during such period.

“Drinking Water Act” means Title XIV of the Federal Public Health Service Act, commonly known as the Safe Drinking Water Act, 42 USC 300f et seq. as the same may be further amended from time to time, and all regulations of the United States Environmental Protection Agency applicable thereto as amended from time to time.

“Drinking Water Debt Service Reserve Account Requirement” means, at any date of calculation, an amount equal to the aggregate Equity Requirements for all Drinking Water Obligations outstanding, less (i) the aggregate amount, if any, on deposit in the Drinking Water Leveraged Bond Account within the Leveraged Bond Fund that is applicable to such Drinking Water Obligations, and (ii) the aggregate amount, if any, thereafter available to be drawn under Federal Capitalization Grants or Commonwealth Matching Grants or otherwise pursuant to any Grant Agreement that has been allocated as Equity for such Drinking Water Obligations.

“Drinking Water Obligations” means a Loan provided by the Trust to a Borrower to finance or refinance all or any part of the Cost of a Drinking Water Project.

“Drinking Water Program” means the program administered by the Trust and the Department in accordance with the Act and the Program Resolution to finance Loans and Interim Loans to local governmental units and other eligible borrowers for Costs of Drinking Water Projects.

“Drinking Water Project” means a “drinking water project” as defined in the Act.

“Drinking Water Revolving Fund” means the Drinking Water Revolving Fund established pursuant to Section 2QQ of Chapter 29 of the General Laws of the Commonwealth.

“Drinking Water SRF” means the federal safe drinking water revolving fund contemplated by the Drinking Water Act.

“Equity Earnings” as used in the Bond Resolution means all or any part of the Net Earnings derived from the investment or deposit of Allocated Equity related to the Loans or the Local Governmental Obligations allocable to the Bonds held in the Leveraged Bond Fund and the Debt Service Reserve Fund, and any other fund or account established under the Program Resolution or under the Bond Resolution, in each case to the extent provided in an Equity Allocation Certificate, and as used in the Program Resolution and any other bond resolution means with respect to any Loan or issue of Local Governmental Obligations all or any part of the Net Earnings derived from the investment or deposit of Allocated Equity held in the Leveraged Bond Fund and a debt service reserve fund, and any other fund or account established under the Program Resolution or under the related bond resolution, in each case to the extent provided in an Equity Allocation Certificate.

“Event of Default” or “Default,” with respect to a Loan or any Interim Loan or any Local Governmental Obligations, shall have the meaning given such term in the related Financing Agreement and, with respect to the Bonds, shall have the meaning given such term in the Bond Resolution.

“Federal Capitalization Grant” means amounts provided to the Trust under one or more agreements between the Trust and the United States of America acting by and through the United States Environmental Protection Agency to be applied in accordance with the Clean Water Act or the Drinking Water Act, as applicable, to fund loans made or local governmental obligations purchased by the Trust.

“Federal Program Clean Water Loan” means a Federal Program Loan made under the Clean Water Program.

“Federal Program Loan” means any Loan or Interim Loan, as applicable, made to a Borrower under the Program (1) all of the proceeds of which are expected at the date of origination of such Loan or Interim Loan or the date of purchase of such Local Governmental Obligations, or on the date of authentication and delivery of the related series of Program Bonds if earlier (as set forth in the related bond resolution or as otherwise evidenced by a certificate of an authorized officer of the Trust delivered to the Program Trustee), to be applied by the Borrower directly or indirectly to finance or refinance Project Costs which are eligible for financing or refinancing with funds attributable to Federal Capitalization Grants and (2) which has not been designated by the Trust as a Commonwealth Program Loan.

“Fiduciary” means the Bond Trustee, any Paying Agent or any Authenticating Agent.

“Financing Agreement” means an agreement between the Trust and a Borrower pertaining to a Loan or any issue of Local Governmental Obligations and the making or purchase and repayment thereof, including, without limitation, any “loan agreement” (as defined in the Act) and any other trust agreement, trust indenture, security agreement, bond purchase agreement, reimbursement agreement, guarantee agreement, bond or note resolution, loan order or similar instrument, other than a Regulatory Agreement, pertaining to or securing such Loan or Local Governmental Obligations.

“Fiscal Year” means the period of twelve calendar months ending with June 30 of any year.

“Grant Agreement,” with respect to any Federal Capitalization Grants or Commonwealth Matching Grants, shall mean the agreements or other instruments, if any, under which such Federal Capitalization Grants or Commonwealth Matching Grants are provided to the Trust for purposes of the Program, including, without limitation, the Master Funding Agreement.

“Interest Payment Date” means February 1 and August 1 of each year commencing on the date provided in the Bond Resolution, any redemption date of any Bonds and any other date on which interest on the Bonds is required or permitted by the Bond Resolution to be paid.

“Interim Loan” means a temporary loan, whether or not interest bearing, provided by the Trust to a local governmental unit or other eligible borrower in accordance with a Financing Agreement for all or any part of the Cost of a Project in anticipation of a Leveraged Loan or the purchase of Local Governmental Obligations and funded by the Trust from amounts held in or for the account of the Interim Loan Fund under the Program Resolution.

“Investment Obligation” means any of the following which at the time are legal investments for moneys of the Trust:

(1) direct general obligations of the United States of America and obligations (including obligations of any federal agency or corporation) the full and timely payment of the principal and interest on which, by act of the Congress of the United States or in the opinion of the Attorney General of the United States in office at the time such obligations were issued, are unconditionally guaranteed by the full faith and credit of the United States of America, or any other evidences of a direct ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this Clause (1);

(2) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (a) which are not callable at the option of the obligor or otherwise prior to maturity or as to which irrevocable notice has been given by the obligor to call such bonds or obligations on the date specified in the notice, (b) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in Clause (1) hereof which fund may be applied only to the payment of interest when due, principal of and redemption premium, if any, on such bonds or other obligations on the maturity date or dates hereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, (c) as to which the principal of and interest on the bonds and obligations of the character described in Clause (1) hereof which have been deposited in such fund along with any cash on deposit in such fund is sufficient to pay interest when due, principal of and redemption premium, if any, on the bonds or other obligations described in this Clause (2) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this Clause (2), as appropriate, and (d) which bear the highest rating available from each Rating Agency;

(3) non-callable notes, bonds, debentures, mortgages and other evidences of indebtedness that, at the time acquired, are either issued or guaranteed by an instrumentality of the United States of America, including but not limited to the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Student Loan Marketing Association and the Federal Farm Credit System, and rated in the highest rating category of each Rating Agency;

(4) bonds, debentures, participation certificates (representing a full and timely guaranty of principal and interest), notes or similar evidences of indebtedness of any of the following: Bank for Cooperatives, Federal Intermediate Credit Banks, Federal Financing Bank, Federal Land Banks, Federal Home Loan Bank System, Federal Farm Credit Bank, Federal National Mortgage Association, Export-Import Bank of the United States, Farmers Home Administration, Federal Home Loan Mortgage Corporation, Resolution Funding Corporation, Government National Mortgage Association, Student Loan Marketing Association or Tennessee Valley Authority;

(5) public housing bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or temporary notes, preliminary notes or project notes issued by public agencies or municipalities, in each case fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(6) obligations of any state of the United States or of any political subdivision or public agency or instrumentality thereof, including the Commonwealth, provided that at the time of their purchase such obligations are rated no lower than the rating assigned to any outstanding Program Bonds or Bonds, as applicable, by each Rating Agency;

(7) direct obligations of, or obligations guaranteed by, the Commonwealth, provided that such obligations are rated by each Rating Agency at a level which will not adversely effect the ratings then assigned by such Rating Agency to any outstanding Program Bonds or Bonds, as applicable;

(8) prime commercial paper of a corporation incorporated under the laws of any state of the United States of America, having the highest rating available from each Rating Agency;

(9) interest bearing time deposits, certificates of deposit, banker's acceptances or other similar banking arrangements with banks (which may include the Program Trustee or the Bond Trustee), provided that such deposits either (a) are made with banks having at the time the deposit is made a rating from each Rating Agency no lower

than the rating then assigned to any outstanding Program Bonds or Bonds, as applicable, by such Rating Agency; or (b) are fully collateralized and secured by such obligations and in such manner as will not adversely affect the credit ratings then assigned to any outstanding Program Bonds or Bonds, as applicable, by any Rating Agency;

(10) shares of a diversified open-end management investment company as defined in the Investment Company Act of 1940, which is a money market fund, provided that such obligations have been rated by each Rating Agency at a level which will not adversely affect the ratings then assigned by such Rating Agency to any outstanding Program Bonds or Bonds, as applicable;

(11) participation units in a combined investment fund created under Section 38A of Chapter 29 of the General Laws of the Commonwealth the purchase of which will not adversely affect the ratings then assigned to any outstanding Program Bonds or Bonds, as applicable, by any Rating Agency;

(12) repurchase agreements for obligations of the type specified in Clauses (1) and (2) above, provided that either (a) the repurchase agreement is an unconditional obligation of the provider thereof and such provider is rated by each Rating Agency at a level which will not adversely affect the ratings then assigned by such Rating Agency to any outstanding Program Bonds or Bonds, as applicable, or (b) such repurchase agreements are fully collateralized and secured by such obligations and in such manner as will not adversely affect the credit ratings then assigned by any Rating Agency to any outstanding Program Bonds or Bonds, as applicable; and

(13) investment agreements with banks, bank holding companies, insurance companies or other financial institutions, or any other investment obligation or deposit, whether or not issued or incurred by any of the foregoing, provided that the purchase of such investment will not adversely affect the then current ratings, if any, assigned to any outstanding Program Bonds or Bonds, as applicable, by any Rating Agency;

provided that any requirement of the foregoing that an obligation be rated by each Rating Agency at a specified time shall not apply to a Rating Agency that has not assigned a rating to such obligation so long as a rating has been assigned to such obligation by at least Moody's Investors Service Inc. and Standard & Poor's; and provided further that the investments described in clause (3) above do not constitute Investment Obligations under the Program Resolution.

"Leveraged Loan" means a Loan funded directly or indirectly by the Trust in whole or in part from the proceeds of Program Bonds.

"Loan" means any loan or other form of financial assistance subject to repayment, whether or not interest bearing, provided by the Trust to a local governmental unit or other eligible borrower in accordance with a Financing Agreement for the purpose of financing or refinancing by the Trust of all or any part of the Cost of a Project, including any local governmental obligations (as defined in the Act) or other security evidencing or securing any such loan.

"Local Governmental Obligations" means local governmental obligations, whether or not interest bearing, purchased by the Trust from a Borrower, all of the proceeds of which are expected at the date of purchase of such local governmental obligations, or on the date of authentication and delivery of the related series of Program Bonds if earlier (as evidenced by a certificate of an Authorized Officer of the Trust delivered to the Program Trustee), to be applied by the Borrower directly or indirectly to finance or refinance Costs of a Clean Water Project which are eligible for financing or refinancing with funds attributable to Federal Capitalization Grants, and which in the case of Borrower Obligations, (1) comply, at the time such obligations are purchased from amounts held under the Bond Resolution, with the provisions of the Act, the Program Resolution and the Bond Resolution, (2) are purchased with proceeds of Bonds or other moneys held under the Bond Resolution, (3) are held under the Bond Resolution and (4) in the case of any such obligations bearing interest at other than a fixed rate, the purchase of which will not adversely affect the ratings then assigned to any Bonds Outstanding by any Rating Agency.

"Net Earnings," with respect to the investment or deposit of moneys held in any fund or account under the Bond Resolution or the Program Resolution, as applicable, for any period, means the aggregate earnings and gains less the aggregate losses from investment or deposit of such moneys during such period, less any transaction fees incurred in purchasing or selling such investments or making such deposits; if an investment is purchased at a premium above par, Net Earnings on such investment shall be deemed to be reduced by the straight-line amortization of the premium over the remaining term of such investment; if an investment is purchased at a discount

below par, Net Earnings on such investment shall be deemed to include the amount received in excess of the discounted purchase price upon the maturity or redemption of such investment.

“Outstanding,” when used with reference to Bonds, means, as of any particular date, all Bonds theretofore and thereupon being authenticated and delivered except (1) any Bond canceled by the Bond Trustee, or proven to the satisfaction of the Bond Trustee to have been canceled by the Trust or by any other Fiduciary at or before said date, (2) except as otherwise provided in the Bond Resolution, any Bond for the payment or redemption of which moneys equal to the Principal Amount or Redemption Price thereof, as the case may be, with interest, if any, to the maturity or redemption date (or any alternate applicable date established pursuant to the Bond Resolution), shall have theretofore been deposited with the Bond Trustee in trust (whether upon or prior to maturity or the redemption date of such Bond) and, except in the case of a Bond to be paid at maturity, of which notice of redemption shall have been given or provided for in accordance with the Bond Resolution, (3) any Bond in lieu of or in substitution for which another Bond shall have been delivered pursuant to the Bond Resolution; and (4) any Bond deemed to have been paid as provided in the Bond Resolution.

“Paying Agent” means any paying agent for Bonds appointed by or pursuant to the Bond Resolution, and any successor or successors thereto appointed pursuant to the Bond Resolution.

“Payment Date” means any date on which any Payment on a Loan or a Local Governmental Obligation is scheduled to be paid to the Trust in accordance with the applicable Financing Agreement; the Payment Dates for the Borrower Obligations and all Prior Pool Borrower Obligations outstanding are February 1 and August 1 of each year commencing with the February 1 or August 1 of the year provided in the applicable Financing Agreement.

“Payment Default” means any failure in the payment when due of all or any part of any Payment payable on a Loan or issue of Local Governmental Obligations pursuant to the applicable Financing Agreement.

“Payments,” with respect to Loans or Local Governmental Obligations, means all payments on account of the principal, interest and premium, if any, due on such Loan or Local Governmental Obligations including without limitation (1) scheduled payments of principal and interest on such Loan or Local Governmental Obligations, (2) prepayments of principal or interest and any additional amounts payable upon prepayment of such Loan or Local Governmental Obligations, and (3) any amounts paid or received with respect to such Loan or Local Governmental Obligations on account of (i) acceleration of the due date of such Loan or Local Governmental Obligations, (ii) the sale or other disposition of such Loan or Local Governmental Obligations and any collateral securing the same, (iii) the receipt of proceeds of any insurance or guaranty of such Loan or Local Governmental Obligations, and (iv) the exercise of any right or remedy granted or available under law or the applicable Financing Agreement upon the occurrence of a Default on such Loan or Local Governmental Obligations; the term “Payments” shall also mean and include any Equity Earnings and Contract Assistance Payments allocable to such Loan or Local Governmental Obligations and any amounts allocable to such Local Governmental Obligations withdrawn from the Subsidy Fund pursuant to the Bond Resolution to the extent provided in the applicable Financing Agreement.

“Principal Amount” means, as of any date of computation and with respect to any Bond, the stated principal amount thereof.

“Principal Installment” means, as of any particular date of computation, an amount of money equal to the aggregate of (1) the Principal Amount of Outstanding Bonds which mature on a future date, reduced by the aggregate Principal Amount of Outstanding Bonds which would at or before said future date be retired by reason of the payment when due and application in accordance herewith of Sinking Fund Installments payable at or before said future date for the retirement of the Outstanding Bonds plus (2) the amount of any Sinking Fund Installment payable on said future date for the retirement of the Outstanding Bonds.

“Program” means the Clean Water Program or the Drinking Water Program, as the context requires, and, collectively, means both said Programs.

“Project” means a Clean Water Project or a Drinking Water Project, as the context requires.

“Rating Agency” means a nationally recognized credit rating agency which has assigned and currently maintains a rating on any Outstanding Bonds or any Program Bonds, as applicable, at the request of the Trust, and any successor to any such agency by merger, conversion, consolidation or otherwise.

“Rebate Provision” means Section 148(f) of the Code and, to the extent applicable to the Bonds, Treasury Regulation Section 1.148-5(c).

“Rebate Requirement” means an amount equal to (i) the cumulative sum calculated and determined from time to time in accordance with the requirements of the Rebate Provision that must be paid to the United States pursuant to the Bond Resolution, less (ii) the aggregate amount of any payments made to the United States pursuant to the Rebate Provision in accordance with the Bond Resolution.

“Record Date” means, with respect to the payment of interest on a Bond, the fifteenth day of the month next preceding the date on which interest is to be paid on such Bond or, if such fifteenth day is not a Business Day, the next preceding Business Day.

“Redemption Price,” when used with respect to a Bond or portion thereof, means the Principal Amount of such Bond or portion thereof, plus the applicable premium, if any, payable upon redemption thereof.

“Regulatory Agreement” means an agreement between DEP and a Borrower pertaining to the acquisition, construction, operation and carrying out of a Project financed in whole or in part from the proceeds of a Loan or the purchase of Local Governmental Obligations.

“Revenues” means (1) all Payments and all other receipts, fees, revenues and other payments, other than Administrative Fees, received or to be received by the Trust on account of Loans and Local Governmental Obligations and the exercise of the Trust’s rights and remedies under or pursuant to the Financing Agreements applicable thereto, (2) all Net Earnings, including without limitation Equity Earnings, received on investment or deposit of moneys held pursuant to the Bond Resolution and paid or to be paid into the Revenue Fund or the Subsidy Fund, and (3) any other receipts, fees, grants, appropriations, revenues and other payments received or to be received by the Trust and required by the terms of the Program Resolution or the Bond Resolution to be deposited in one or more of the Funds and Accounts maintained under or pursuant to the Bond Resolution.

“Scheduled Payments,” with respect to any Local Governmental Obligation, shall have the meaning given such term in the applicable Financing Agreement, and with respect to any Loan shall have the meaning given to the term “Scheduled Loan Repayments” in the applicable Financing Agreement.

“Subsidy Fund Requirement” shall mean as of August 1 and February 1 of each Fiscal Year while any Bonds are Outstanding under the Bond Resolution, the applicable amount set forth in the certificate of an Authorized Officer delivered to the Bond Trustee pursuant to the Bond Resolution, less the aggregate amount, if any, theretofore withdrawn from the Subsidy Fund pursuant to Bond Resolution on account of a Payment Default on a Local Governmental Obligation held under the Bond Resolution which has not been redeposited in the Subsidy Fund pursuant to the Bond Resolution.

“Supplemental Bond Resolution” means any resolution of the Trust amending or supplementing the Bond Resolution adopted and becoming effective in accordance with the terms of the Bond Resolution.

“Supplemental Program Resolution” means any resolution of the Trust amending or supplementing the Program Resolution adopted and becoming effective in accordance with the terms of the Program Resolution.

“Title 5 Loan” means any Federal Program Clean Water Loan made to a Borrower, all of the proceeds of which are expected on the date of origination thereof to be applied by the Borrower directly or indirectly to finance or refinance Costs of a Title 5 Project.

“Title 5 Project” means a community septic management loan program, constituting a Clean Water Project, to assist eligible homeowners to upgrade failing septic systems through underlying betterment agreements with such homeowners.

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SUMMARY OF CERTAIN BASIC DOCUMENTS

The following are summaries of certain provisions of the Program Resolution, the Bond Resolution and the Financing Agreements. Such summaries do not purport to be complete and reference should be made to each of these documents individually for full and complete statements of such and all provisions therein.

SUMMARY OF CERTAIN PROVISIONS OF THE PROGRAM RESOLUTION**Purpose For Program Resolution**

The Program Resolution has been adopted by the Trust in order to implement its Program of making Loans to, and purchasing Local Governmental Obligations from, local governmental units and other eligible borrowers to finance Costs of Projects eligible for financial assistance under the Act, the regulations of DEP and the Federal Acts.

Pledge

There are pledged and assigned by the Program Resolution, solely to the extent and in the manner described below, (1) to the Program Trustee as security for payment of the Program Bonds of all series outstanding, the Deficiency Fund and all amounts from time to time on deposit therein and available for the payment of Program Bonds, (2) to the Program Trustee as security for the payment of the Pool Bonds of all series outstanding, the Pool Program Reserve Fund and all amounts from time to time on deposit therein and available for the payment of Pool Bonds and (3) to the Program Trustee as security for the payment of each Leveraged Loan or issue of Local Governmental Obligations, all amounts allocable to and available for the payment of such Loan or issue of Local Governmental Obligations from time to time on deposit in the Leveraged Bond Fund.

The provisions of the Program Resolution constitute a contract among the Trust, the Program Trustee and the owners from time to time of the Program Bonds. Except as otherwise expressly provided in the Program Resolution or in the applicable bond resolution, the pledge made in the Program Resolution and the provisions, covenants and agreements set forth therein to be performed by or on behalf of the Trust shall be for the equal benefit, protection and security of the owners of any and all of the Program Bonds, all of which, regardless of the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any Program Bonds over any other thereof.

Except as expressly provided in the applicable bond resolution, the Program Bonds of each series shall be special obligations of the Trust secured solely as provided in the Program Resolution and in the related bond resolution and payable solely from the funds, amounts and other property available and pledged for such payments pursuant to the Program Resolution and in the related bond resolution. Neither the Commonwealth nor any political subdivision thereof shall be obligated to pay the Program Bonds and neither the faith and credit nor the taxing power of the Commonwealth or any political subdivision shall be pledged to their payment.

Conditions Precedent to Securing Program Bonds under Program Resolution

The pledge and assignment made for the benefit of the owners of a series of Program Bonds shall not be effective with respect to such series unless prior to or simultaneously with the delivery of such series of Program Bonds the Trust shall deliver to the Program Trustee, among other things, (1) an original executed counterpart of an Equity Allocation Certificate (a) stating that such series of Program Bonds is entitled to the pledge and assignment made in the Program Resolution, (b) directing the Program Trustee as to the creation of any funds, accounts or subaccounts to be established for such series of Program Bonds, (c) directing the Program Trustee as to the amount, sources and the manner that, as well as the type of project for which, any Equity to be allocated to the Leveraged Loans to be made, or Local Governmental Obligations to be purchased, with the proceeds of such series of Program Bonds is to be deposited in the Leveraged Bond Fund and to transfer such Equity to the applicable bond trustee for deposit in the related debt service reserve fund and the timing of such deposits and transfers, (d) describing the extent to which and the manner in which the sources of Equity allocated to such Loans or Local Governmental Obligations may be revised during the term of the Loans or Local Governmental Obligations, (e) directing the Program Trustee as to the application of any Equity Earnings, and (f) setting forth the manner and extent that the amount of Allocated Equity may be reduced during the term of such Loan or Local Governmental Obligations, and (2) if such series of Program Bonds are Pool Bonds and if the Series Equity Requirement for such series of Pool

Bonds is less than the series Equity Requirement for any other series of Pool Bonds outstanding, (i) a certificate of the Trust to the effect that it has notified each Rating Agency of the proposed issuance of such series of Pool Bonds and has furnished each Rating Agency with a copy of the related bond resolution, accompanied by (ii) a letter from each Rating Agency (or other evidence satisfactory to the Program Trustee) confirming that the reduction in the Series Equity Requirement for such series of Pool Bonds will not by itself cause such Rating Agency to lower, suspend, remove or otherwise modify adversely the credit ratings then assigned by it to any outstanding Pool Bonds.

Establishment of Funds and Accounts and Subaccounts

In addition to a Direct Loan Fund and an Interim Loan Fund to account for the proceeds of Direct Loans and Interim Loans made by the Trust and the Payments thereon and an Administrative Expense Fund to account for the Trust's expenses of administering the Program, the Program Resolution creates a Clean Water Equity Fund and a Drinking Water Equity Fund, a Leveraged Bond Fund, a Deficiency Fund and a Pool Program Reserve Fund. In order to properly segregate Equity allocable to each program, a separate Clean Water Deficiency Account and a Drinking Water Deficiency Account are established in the Deficiency Fund, a separate Clean Water Leveraged Bond Account and Drinking Water Leveraged Bond Account are established in the Leveraged Bond Fund, a separate Clean Water Pool Program Reserve Account and Drinking Water Pool Program Reserve Account are established in the Pool Program Reserve Fund and a separate Clean Water Program Account and Drinking Water Program Account are established in the Interim Loan Fund. In addition, a separate Federal Program Account and Commonwealth Program Account are established within the Clean Water Equity Fund, and a separate Federal Program Subaccount and Commonwealth Program Subaccount are established within the Clean Water Deficiency Account in the Deficiency Fund, within the Clean Water Leveraged Bond Account in the Leveraged Bond Fund and within the Clean Water Program Account in the Interim Loan Fund.

Except as expressly authorized or permitted under the Program Resolution or otherwise by the Clean Water Act or the Drinking Water Act, as applicable, (i) no amounts held or deposited in any of the funds, accounts or subaccounts established under the Program Resolution to fund or secure Clean Water Loans (other than Commonwealth Program Loans) or Local Governmental Obligations, or Interim Loans made in anticipation thereof, shall be applied to fund or secure any Drinking Water Loan or any Commonwealth Program Loan, or any Interim Loan made in anticipation thereof, or any fund or account or subaccount allocable thereto under the Program Resolution or any bond resolution, and (ii) no amount held or deposited in any of the funds, accounts or subaccounts established under the Program Resolution to fund or secure Drinking Water Loans, or Interim Loans made in anticipation thereof, shall be applied to fund or secure any Clean Water Loan or the purchase of Local Governmental Obligations, or any Interim Loan made in anticipation thereof, or any fund or account or subaccount allocable thereto under the Program Resolution or any bond resolution.

Allocation of Equity

The Trust shall allocate Equity to each Loan or issue of Local Governmental Obligations in the amount or amounts set forth in the related Equity Allocation Certificate, provided that the Allocated Equity for each Loan or issue of Local Governmental Obligations shall be in an aggregate amount not less than the Equity Requirement calculated with respect to the principal amount of such Loan or Local Governmental Obligations from time to time outstanding and unpaid. Each Equity Allocation Certificate shall identify the amount of Equity for the applicable Loan or Local Governmental Obligations and the sources thereof, which sources may be derived from (1) funds previously drawn by the Trust from any Federal Capitalization Grant or Commonwealth Matching Grant, (2) Payments, Net Earnings, amounts transferred to the Clean Water Equity Fund or the Drinking Water Equity Fund, as applicable, from the Deficiency Fund in accordance with the Program Resolution or any other source, provided such funds have been received in cash and are held in trust as security for payment of such Loan or Local Governmental Obligation on the date of delivery of such certificate, and (3) funds to be made available to the Trust from Federal Capitalization Grants or Commonwealth Matching Grants or otherwise by the Commonwealth, which funds have not been received by the Trust, provided that among other things, such Grants have been awarded to and accepted by the Trust.

Each Equity Allocation Certificate pertaining to a Leveraged Loan or an issue of Local Governmental Obligations shall set forth the Equity Requirement therefor and shall direct the Program Trustee and related bond trustee to make deposits and transfers, and to the extent necessary, shall allocate amounts received or to be received by the Trust from Federal Capitalization Grants or Commonwealth Matching Grants or other sources identified in such certificate, all in a manner and on a schedule sufficient to provide that, throughout the term of such Loan or Local Governmental Obligations, the sum of the Equity allocable to such Loan or Local Governmental Obligations

(1) on deposit in the Federal Program Subaccount within the Clean Water Leveraged Bond Account or in the Drinking Water Leveraged Bond Account, as applicable, in the Leveraged Bond Fund, (2) on deposit in the related debt service reserve fund or account and (3) allocated to such Loan or Local Governmental Obligations but not yet received and applied in accordance with such Equity Allocation Certificate, shall at all times be at least equal to the Equity Requirement for such Loan or Local Governmental Obligations, less any unreimbursed amounts of Allocated Equity applied in accordance with the Program Resolution and the applicable bond resolution to pay debt service on the related series of Program Bonds upon the occurrence of a Payment Default.

The Trust agrees and covenants to do and perform or cause to be done and performed all acts and things reasonably required and within its control to obtain and make available to the Program Trustee the full amount of the Allocated Equity as set forth in any Equity Allocation Certificate at the times and in the manner provided in such certificate; provided however, that the Trust's obligation to do so shall be limited by its power to obtain such amounts from the designated sources of such Equity. The Trust agrees and covenants to exercise or to cause to be exercised any right within its control to draw and receive Federal Capitalization Grants and Commonwealth Matching Grants or other sources of Equity upon a Payment Default to the extent that such amounts constitute a portion of the related Allocated Equity and are required in order to prevent or cure a Payment Default on the related series of Program Bonds.

Equity Funds

The Program Resolution provides that the Program Trustee shall deposit in the Federal Program Account in the Clean Water Equity Fund and shall deposit in the Drinking Water Equity Fund, among other amounts, (a) all applicable Federal Capitalization Grants and Commonwealth Matching Grants and amounts drawn thereon; (b) any other amounts paid to the Trust (or paid to the Commonwealth and appropriated to the Trust) representing financial assistance provided pursuant to the applicable Federal Act or by the Commonwealth for purposes of deposit in the Clean Water Revolving Fund or the Drinking Water Revolving Fund, as applicable; (c) all Net Earnings on investment or deposit of amounts held in the Federal Program Account in the Clean Water Equity Fund or in the Drinking Water Equity Fund, as applicable; and (d) all amounts transferred to the Federal Program Account in the Clean Water Equity Fund from the Federal Program Subaccount within the Clean Water Deficiency Account in the Deficiency Fund or to the Drinking Water Equity Fund from the Drinking Water Deficiency Account in the Deficiency Fund, as applicable, in accordance with the Program Resolution.

In addition to the application of amounts in the Clean Water Equity Fund and in the Drinking Water Equity Fund to fund Direct Loans and Interim Loans made by the Trust, the Program Resolution directs the Program Trustee to apply amounts in the Federal Program Account in the Clean Water Equity Fund and to apply amounts in the Drinking Water Equity Fund as provided in the applicable Equity Allocation Certificate (a) for deposit in the Federal Program Subaccount within the Clean Water Leveraged Bond Account or in the Drinking Water Leveraged Bond Account, as applicable, in the Leveraged Bond Fund for each Leveraged Loan or issue of Local Governmental Obligations, amounts in the aggregate equal to the Allocated Equity for such Loan or Local Governmental Obligations, but solely to the extent amounts equal to such Allocated Equity are available in the Clean Water Equity Fund or Drinking Water Equity Fund, as applicable; and (b) subject to the applicable bond resolution, to a bond trustee upon its written request, for deposit in the debt service fund for the related series of Program Bonds, amounts in the aggregate equal to the Allocated Equity for such Loan or Local Governmental Obligations and certified by the bond trustee as necessary due to a Payment Default under the related Financing Agreement to make a debt service payment on such Program Bonds, but solely to the extent amounts equal to such Allocated Equity are available in the Federal Program Account in the Clean Water Equity Fund or in the Drinking Water Equity Fund, as applicable, or may be drawn from Federal Capitalization Grants or Commonwealth Matching Grants held for the credit of such Account or Fund in accordance with the applicable Equity Allocation Certificate.

Leveraged Bond Fund

The Program Trustee shall deposit in the Federal Program Subaccount within the Clean Water Leveraged Bond Account or in the Drinking Water Leveraged Bond Account, as applicable, in the Leveraged Bond Fund, among other amounts, (a) any amount transferred from the Federal Program Account in the Clean Water Equity Fund or from the Drinking Water Equity Fund, as applicable, for deposit therein pursuant to the Program Resolution; (b) any amounts made available by the Trust or a bond trustee as reimbursement for amounts transferred to the bond trustee from such Leveraged Bond Account or the related debt service reserve fund or account upon a Default under the applicable Financing Agreement; and (c) to the extent provided in the applicable Equity Allocation Certificate, Net Earnings on investment or deposit of moneys held in the Leveraged Bond Account.

Upon the written direction of the Trust, the Program Trustee shall transfer from the Federal Program Subaccount within the Clean Water Leveraged Bond Account or from the Drinking Water Leveraged Bond Account, as applicable, in the Leveraged Bond Fund, (a) to the related bond trustee for deposit in the debt service reserve fund or account for the related series of Program Bonds, the amounts certified in such written direction as necessary to fund the debt service reserve fund or account; (b) except as otherwise provided in the Program Resolution, to the Federal Program Account in the Clean Water Equity Fund or to the Drinking Water Equity Fund, as applicable, or the related bond trustee all Equity Earnings on investment or deposit of moneys held in such Leveraged Bond Account; and (c) to the related bond trustee for deposit in the debt service fund for the related series of Program Bonds, the amounts, if any, certified by the bond trustee as necessary due to a Payment Default under the related Financing Agreement to make a debt service payment on such Program Bonds.

Pool Program Reserve Fund

The Program Trustee shall deposit in the Clean Water Pool Program Reserve Account or the Drinking Water Pool Program Reserve Account, as applicable, in the Pool Program Reserve Fund, among other things, (a) any amounts allocable to Pool Borrower Obligations allocable to Clean Water Projects or Drinking Water Projects, as applicable, transferred to the Program Trustee by a pool bond trustee, which amounts have been released from the lien of the related pool bond resolution, and (b) except as otherwise provided in any Supplemental Program Resolution or any Equity Allocation Certificate, all Net Earnings on investment or deposit of moneys held in the Clean Water Pool Program Reserve Account or the Drinking Water Pool Program Reserve Account, as applicable.

The Program Trustee shall transfer to the Federal Program Subaccount in the Clean Water Deficiency Account or to the Drinking Water Deficiency Account, as applicable, in the Deficiency Fund any amount deposited in the Clean Water Pool Program Reserve Account or the Drinking Water Pool Program Reserve Account, respectively, on the same Business Day such amount is deposited in the Clean Water Pool Program Reserve Account or the Drinking Water Pool Program Reserve Account; provided, however, that before making such transfer the Program Trustee, to the extent necessary, shall make the following transfers or reduce the amount of any such transfer in the following amounts as applicable:

FIRST, if any pool bond trustee has certified to the Program Trustee on or prior to such date that a deficiency exists in the debt service fund under the related pool bond resolution (identifying the Pool Borrower Obligations to which such deficiency is attributable), after application to such deficiency of all amounts available in the Federal Program Subaccount within the Clean Water Leveraged Bond Account or in the Drinking Water Leveraged Bond Account, as applicable, all amounts available in the Federal Program Account within the Clean Water Equity Fund or in the Drinking Water Equity Fund, as applicable, in accordance with the Program Resolution and all amounts in the debt service reserve fund and all other funds and accounts under the related pool bond resolution available to pay debt service on the related series of Pool Bonds, the Program Trustee shall transfer the amount of such deficiency from the Pool Program Reserve Fund as hereinafter provided (or the balance in the Pool Program Reserve Fund if the aggregate amount therein is less than such aggregate deficiency) to the applicable pool bond trustee for deposit in the debt service fund under the related pool bond resolution;

provided that if, as of such date, more than one pool bond trustee has certified to the Program Trustee that a deficiency exists in a debt service fund under the related pool bond resolution, then the amount to be transferred pursuant to clause FIRST above shall be apportioned among each certifying pool bond trustee, in the same proportion to the total amount so transferred as the deficiency certified by such pool bond trustee bears to the total deficiency certified by all pool bond trustees.

SECOND, if any pool bond trustee has certified to the Program Trustee on or prior to such date that a deficiency exists in the debt service reserve fund under the related pool bond resolution (identifying the Pool Borrower Obligations to which such deficiency is attributable), after credit for any amounts held for the credit of such fund in any other fund or account under the related pool bond resolution, the Program Trustee shall retain in the Pool Program Reserve Fund as hereinafter provided a sum equal to the aggregate of the deficiencies so certified in all debt service reserve funds (or the balance in the Pool Program Reserve Fund if the aggregate amount therein is less than such aggregate deficiency).

In making any such transfers or retentions due to a deficiency attributable to a Payment Default on a Clean Water Loan or any Local Governmental Obligations, amounts, if any, in the Clean Water Pool Program Reserve Account in the Pool Program Reserve Fund shall be applied to such purpose before any amounts in the Drinking Water Pool Program Reserve Account are so applied and, in making any such transfers or retentions due to a deficiency attributable to a Payment Default on any Drinking Water Loan, amounts in the Drinking Water Pool Program Reserve Account in the Pool Program Reserve Fund shall be applied to such purpose before any amounts in the Clean Water Pool Program Reserve Account are so applied.

Immediately succeeding any transfer of funds to a pool bond trustee pursuant to clause FIRST above, the Program Trustee shall confirm with each certifying pool bond trustee the outstanding balance, if any, due but unpaid on the applicable series of Pool Bonds after such transfer. Any amount thereafter received by the Program Trustee which is attributable to the Pool Borrower Obligations on account of which any such transfer shall have been made shall be deposited in the Clean Water Pool Program Reserve Account or the Drinking Water Pool Program Reserve Account, as applicable, only after first reimbursing either such Account for any inter-account transfer made on account of such Pool Borrower Obligations as provided above.

When the Program Trustee shall have received notice from a pool bond trustee that any deficiency described in clause SECOND has been cured, the Program Trustee shall withdraw from the Clean Water Pool Program Reserve Account or the Drinking Water Pool Program Reserve Account, as applicable, an amount equal to the amount theretofore retained in the Clean Water Pool Program Reserve Account or the Drinking Water Pool Program Reserve Account on account of such deficiency pursuant to said clause SECOND, and, after first reimbursing any account within the Pool Program Reserve Fund for any inter-account transfer made on account of such deficiency as provided above, shall deposit such amount in the Federal Program Subaccount in the Clean Water Deficiency Account or in the Drinking Water Deficiency Account in the Deficiency Fund, as applicable; provided that prior to any such withdrawal from the Pool Program Reserve Fund the Program Trustee shall first apply the amount available for withdrawal as provided in clause FIRST and SECOND above on account of any other deficiency in a debt service fund or a debt service reserve fund under any pool bond resolution not then or theretofore satisfied from amounts available in the Pool Program Reserve Fund.

Deficiency Fund

The Program Trustee shall deposit in the Federal Program Subaccount within the Clean Water Deficiency Account or in the Drinking Water Deficiency Account, as applicable, in the Deficiency Fund, among other amounts, (a) any amounts allocable to Loans and Local Governmental Obligations (other than Pool Borrower Obligations) funded under the applicable Federal Program transferred to the Program Trustee by a bond trustee, which amounts have been released from the lien of the related bond resolution; (b) amounts transferred from the Clean Water Pool Program Reserve Account or the Drinking Water Pool Program Reserve Account, as applicable, for deposit in the Federal Program Subaccount within the Clean Water Deficiency Account or in the Drinking Water Deficiency Account, respectively, in the Deficiency Fund pursuant to the Program Resolution; (c) to the extent provided in the applicable Equity Allocation Certificates for such Loans, all Payments on all Direct Loans funded under the applicable Federal Program received by the Program Trustee; and (d), except as otherwise provided in any Supplemental Program Resolution or any Equity Allocation Certificate, all Net Earnings on investment or deposit of

amounts held in the Federal Program Subaccount within the Clean Water Deficiency Account or in the Drinking Water Deficiency Account, as applicable.

The Program Trustee shall transfer to the Federal Program Account in the Clean Water Equity Fund or to the Drinking Water Equity Fund, as applicable, any amount deposited in the Federal Program Subaccount within the Clean Water Deficiency Account or in the Drinking Water Deficiency Account, respectively, in the Deficiency Fund, on the same business day such amount is deposited in the applicable account or subaccount in the Deficiency Fund; provided, however, that before making such transfer the Program Trustee, to the extent necessary, shall make the following transfers or reduce the amount of such transfer in the following amounts as applicable:

FIRST, if any bond trustee has certified to the Program Trustee on or prior to such date that a deficiency exists in the debt service fund under the related bond resolution (identifying the Loan or Local Governmental Obligations to which such deficiency is attributable), after application to such deficiency of all amounts available in the Federal Program Subaccount within the Clean Water Leveraged Bond Account or in the Drinking Water Leveraged Bond Account, as applicable, in the Leveraged Bond Fund, all amounts available in the Clean Water Equity Fund or the Drinking Water Equity Fund, as applicable, and, in the case of Pool Bonds, in the Clean Water Pool Program Reserve Account or the Drinking Water Pool Program Reserve Account, as applicable, in the Pool Program Reserve Fund in accordance with the Program Resolution and all amounts in the debt service reserve fund and all other funds and accounts under the related bond resolution in each case available to pay debt service on the related series of Program Bonds, the Program Trustee shall transfer the amount of such deficiency from the Deficiency Fund as hereinafter provided (or the balance in the Deficiency Fund if the aggregate amount therein is less than such aggregate deficiency) to the applicable bond trustee for deposit in the debt service fund under the related bond resolution;

provided that if, as of such date, more than one bond trustee has certified to the Program Trustee that a deficiency exists in a debt service fund, then the amount to be transferred pursuant to clause FIRST above shall be apportioned among each certifying bond trustee, in the same proportion to the total amount so transferred as the deficiency certified by such bond trustee bears to the total deficiency certified by all bond trustees.

SECOND, if any bond trustee has certified to the Program Trustee on or prior to such date that a deficiency exists in the debt service reserve fund under the related bond resolution (identifying the Loan or Local Governmental Obligations to which such deficiency is attributable), after credit for any amounts held for the credit of such fund in any other fund or account under the related bond resolution or, in the case of Pool Bonds, in the Clean Water Pool Program Reserve Account or the Drinking Water Pool Program Reserve Account, as applicable, in the Pool Program Reserve Fund, the Program Trustee shall retain in the Deficiency Fund as hereinafter provided a sum equal to the aggregate of the deficiencies so certified in all debt service reserve funds (or the balance in the Deficiency Fund if the amount therein is less than such aggregate deficiency);

In making any such transfers or retentions due to a deficiency attributable to a Payment Default on a Federal Program Clean Water Loan or any Local Governmental Obligations, amounts, if any, in the Federal Program Subaccount in the Clean Water Deficiency Account shall be applied to such purpose before any amounts in the Drinking Water Deficiency Account are so applied, and no amounts in the Commonwealth Program Subaccount in the Clean Water Deficiency Account shall be applied to such purpose. In making any such transfers or retentions due to a deficiency attributable to a Payment Default on a Drinking Water Loan, amounts, if any, in the Drinking Water Deficiency Account shall be applied to such purpose before any amounts in the Federal Program Subaccount in the Clean Water Deficiency Account are so applied, and no amounts in the Commonwealth Program Subaccount in the Clean Water Deficiency Account shall be applied to such purpose. In making any such transfers or retentions due to a deficiency attributable to a Payment Default on a Commonwealth Program Loan, no amounts on deposit in

the Federal Program Subaccount in the Clean Water Deficiency Account or in the Drinking Water Deficiency Account shall be applied to such purpose.

Immediately succeeding any transfer of funds to a bond trustee pursuant to clause FIRST above, the Program Trustee shall confirm with each certifying bond trustee the outstanding balance, if any, due but unpaid on the applicable series of Program Bonds after such transfer. Any amount thereafter deposited in the Deficiency Fund by the Program Trustee which is attributable to the Loan or Local Governmental Obligations on account of which any such transfer shall have been made shall be deposited in the Federal Program Subaccount in the Clean Water Deficiency Account or in the Commonwealth Program Subaccount in the Clean Water Deficiency Account or in the Drinking Water Deficiency Account, as applicable, only after first reimbursing any such account or subaccount for any inter-account transfer made on account of such Loans or Local Governmental Obligations as provided above.

When the Program Trustee shall have received notice from any bond trustee that a deficiency described in the above clause SECOND has been cured, the Program Trustee shall withdraw from the applicable account or subaccount in the Deficiency Fund an amount equal to the amount theretofore retained in the applicable account or subaccount in the Deficiency Fund on account of such deficiency pursuant to said clause SECOND, and, after reimbursing any account or subaccount therein for any inter-account transfer made on account of such deficiency as provided above, shall deposit such amount in the appropriate account in the Clean Water Equity Fund or in the Drinking Water Equity Fund, as applicable; provided that prior to any such withdrawal from the Deficiency Fund the Program Trustee shall first apply the amount available for withdrawal as provided in clause FIRST and SECOND above on account of any other deficiency in a debt service fund or a debt service reserve fund not then or theretofore satisfied from amounts available in the Deficiency Fund.

Investments and Deposits

Moneys held for the credit of any fund or account or subaccount under the Program Resolution shall, to the fullest extent practicable, be invested, either alone or jointly with moneys in any other fund or account or subaccount by the Program Trustee at the written direction of an authorized officer in Investment Obligations which shall mature or be redeemable at the option of the owner thereof on such dates and in such amounts as may be necessary to provide moneys to meet the payments from such funds and accounts and subaccounts; provided that if moneys in two or more funds or accounts or subaccounts are commingled for purposes of investment, the Program Trustee shall maintain appropriate records of the Investment Obligations or portions thereof held for the credit of each such fund or account or subaccount.

Tax Covenants

The Trust shall not use or permit the use of any moneys held under the Program Resolution or any other funds of the Trust, directly or indirectly, to acquire any securities or obligations, and shall not use or permit the use of any amounts received by the Trust or the Program Trustee with respect to such moneys or funds in any manner, and shall not otherwise take or permit to be taken any other action or actions, which would cause any Program Bond the interest on which is excludable from gross income for federal income tax purposes under Section 103 of the Code to be an "arbitrage bond" within the meaning of Section 148 of the Code or, to the extent applicable, which would cause any such Program Bond to violate any of the restrictions contained in Section 141 through Section 150 of the Code.

The Trust shall take all lawful action necessary to ensure that interest on all Program Bonds that is excludable from gross income for federal income tax purposes will remain so excludable and shall not use or permit the use of any moneys held under the Program Resolution or any other funds of the Trust, directly or indirectly, in any manner, and shall not take or permit to be taken any other action or actions, which would cause the interest on such Program Bonds to become includable in gross income for federal income tax purposes.

Supplemental Program Resolutions Effective Without Bondholder Consent

At any time or from time to time a resolution of the Trust supplementing the Program Resolution may be adopted by the Trust without the prior approval of the owners of any Program Bonds to, among other purposes, add to the covenants or agreements of the Trust in the Program Resolution or add to the limitations or restrictions to be observed by the Trust; surrender any right, power or privilege reserved to or conferred upon the Trust by the Program Resolution; confirm any pledge created by the Program Resolution of the moneys, funds and other property pledged thereby; establish one or more additional funds, accounts or subaccounts or to subject additional moneys,

rights or property to the provisions of the Program Resolution; cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Program Resolution; insert any provisions, not contrary to or inconsistent with the Program Resolution, clarifying matters or questions arising under the Program Resolution; and insert, repeal or amend any provision in the Program Resolution, provided such insertion, deletion or amendment is permitted by the applicable Federal Act and the Act and will not adversely affect the ratings then assigned to any Program Bonds outstanding by any Rating Agency.

Supplemental Program Resolutions Effective With Consent of Bondowners

At any time or from time to time, a resolution of the Trust amending or supplementing the Program Resolution may be adopted modifying any of the provisions of the Program Resolution or releasing the Trust from any of the obligations, covenants, agreements, limitations, conditions or restrictions therein contained, provided such resolution is consented to by the owners of at least sixty percent (60%) in aggregate principal amount of the Program Bonds of each series outstanding adversely affected thereby. If such modification or amendment will, by its terms, not take effect so long as any Program Bonds of similar tenor of any specified series, maturity and interest rate remain outstanding, the consent of the bondowners shall not be required and such Program Bonds shall not be deemed to be outstanding for the purpose of any calculation of outstanding Program Bonds under the Program Resolution.

Remedies

Upon the happening and continuance of any Default under the Program Resolution, the Program Trustee may proceed, and upon the written request of any bond trustee shall proceed, in its own name, to protect and enforce its rights and the rights of the bond trustees and the bondowners under the Program Resolution by such actions or suits, at law or in equity, as may appear to the Program Trustee, being advised by counsel, as necessary or desirable to protect or exercise its rights under the Program Resolution and to enforce the obligations of the Trust set forth in the Program Resolution and the Act.

Termination

If at any time there are no Program Bonds outstanding under a particular bond resolution and provision shall also be made for paying the Program Trustee's fees and expenses with respect to such Program Bonds, then the Program Trustee, in such case, on demand of the Trust, shall release the lien of the Program Resolution with respect to such Program Bonds and shall execute such documents as may be reasonably required by the Trust to evidence such release. In the case of a release in respect of all Program Bonds outstanding under all bond resolutions, the Trust may at any time thereafter elect to terminate the Program Resolution and in the event of such termination the Program Trustee shall turn over to the State Treasurer any balances remaining in all funds and accounts under the Program Resolution to be used for any purposes allowed pursuant to the applicable Federal Act and the Act.

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

Bond Resolution to Constitute Contract

The Bond Resolution constitutes a contract among the Trust, the Bond Trustee and the Bondowners. The pledge made in the Bond Resolution and the provisions, covenants and agreements therein are for the equal benefit, protection and security of the Bondowners, all of which, regardless of the times of issue or maturity, rank equally without preference, priority or distinction of any Bond over another except as expressly provided in or permitted by the Bond Resolution.

Pledge of the Bond Resolution

The Bonds are special obligations of the Trust. As security for the payment of the Bonds, the Trust pledges and grants a security interest in (1) all Revenues, (2) all rights and interests of the Trust in and to all Loans and all Local Governmental Obligations held under the Bond Resolution and all rights and interests of the Trust under the Financing Agreements therefor (with the exception of its rights of indemnification and reimbursement payments or administrative fees) and the proceeds thereof, (3) all rights and interests of the Trust under all Revenue producing contracts (other than the Master Funding Agreement or any other Grant Agreement and the Commonwealth Assistance Contract) and the proceeds thereof, and (4) all moneys and securities in all funds and accounts created by

or pursuant to the Bond Resolution (except the Rebate Fund), whether any of the foregoing is now existing or is hereafter acquired, subject only to the provisions of the Bond Resolution permitting the application of amounts held thereunder for the purposes and on the terms and conditions set forth in the Bond Resolution.

In addition to the foregoing, as provided in the Program Resolution, the payment of the Bonds shall be further secured by a pledge and assignment of (1) the Pool Program Reserve Fund and all amounts from time to time on deposit therein and available therein for the payment of the Bonds, (2) the Deficiency Fund (other than the Commonwealth Program Subaccount within the Clean Water Deficiency Account) and all amounts from time to time on deposit therein and available therein for the payment of the Bonds, (3) the Federal Program Subaccount within the Clean Water Leveraged Bond Account in the Leveraged Bond Fund and the Drinking Water Leveraged Bond Account in the Leveraged Bond Fund established under or pursuant to the Program Resolution and all amounts from time to time on deposit therein and available for the payment of the Bonds, in each case to the extent and in the manner provided in the Bond Resolution and in the Program Resolution.

Establishment of Funds and Accounts

The Bond Resolution establishes or authorizes the establishment of the following Funds and Accounts to be held by the Bond Trustee separate and apart from all other moneys and funds of the Trust:

- (1) Project Fund
 - Project Accounts
 - Cost of Issuance Account
- (2) Revenue Fund
- (3) Debt Service Fund
- (4) Redemption Fund
- (5) Debt Service Reserve Fund
 - Clean Water Debt Service Reserve Account
 - Drinking Water Debt Service Reserve Account
- (6) Rebate Fund
- (7) Subsidy Fund

In addition, the Trust may by Supplemental Bond Resolution or by certificate of an authorized officer delivered to the Bond Trustee create one or more other funds, accounts or sub-accounts.

Application of Project Fund

Upon the issuance, sale and delivery of the Bonds, the Bond Trustee shall establish a separate Project Account within the Project Fund for each Project the Costs of which are to be financed or refinanced from the Loans or Local Governmental Obligations. A Project Account shall be used solely for the payment or reimbursement of Costs of the applicable Project to which such Account relates or the refinancing of such Costs as provided in the Bond Resolution.

When all Costs of a Project to be paid from a particular Project Account have been so paid, any amount remaining unexpended in the Project Account shall be either (1) applied to the prepayment of the applicable Loan or issue of Local Governmental Obligations and transferred by the Bond Trustee to either (i) the Redemption Fund or (ii) one or more other Project Accounts to be applied to Costs of other Projects (subject to the provisions in the following paragraph) to the extent permitted under the Clean Water Act or the Drinking Water Act, as applicable, and DEP's regulations, or (2) applied as a credit against any Payments then or thereafter due under the applicable Financing Agreement and transferred by the Bond Trustee to the Revenue Fund or the Debt Service Fund (as directed by the Trust), or (3) any combination of the foregoing.

Notwithstanding the provisions of the preceding paragraph, no moneys remaining in a Project Account established for a Clean Water Project upon final disbursement therefrom for Costs of the applicable Project shall be transferred by the Bond Trustee to a Project Account established for a Drinking Water Project, and no moneys remaining in a Project Account established for a Drinking Water Project upon final disbursement therefrom for Costs of the applicable Project shall be transferred by the Bond Trustee to a Project Account established for a Clean Water Project, unless in each case, simultaneously with such transfers, the Bond Trustee and the Program Trustee, pursuant to instructions included in the written direction of an authorized officer of the Trust required by the preceding paragraph shall include instructions to the Bond Trustee and the Program Trustee to withdraw Equity from the Clean Water Debt

Service Reserve Account or the Drinking Water Debt Service Reserve Account, as applicable, with respect to the Project for which unexpended moneys are being so transferred and deposit such Equity in the Clean Water Equity Fund or the Drinking Water Equity Fund, as applicable, and withdraw Equity from the Clean Water Equity Fund or the Drinking Water Equity Fund, as applicable, and deposit such Equity in the Clean Water Debt Service Reserve Account or the Drinking Water Debt Service Reserve Account, as applicable, with respect to the Project to which the unexpended moneys are being transferred, in each case in accordance with the Program Resolution and the Equity Allocation Certificate, until the amount on deposit in the Clean Water Debt Service Reserve Account equals the Clean Water Debt Service Reserve Account Requirement and the amount on deposit in the Drinking Water Debt Service Reserve Account equals the Drinking Water Debt Service Reserve Account Requirement after such transfers.

Notwithstanding anything under this heading to the contrary, the Bond Trustee shall transfer from any Project Account designated by the Trust to the Debt Service Fund any amounts necessary for the payment of any Payments due and unpaid on the related Loan or Local Governmental Obligations or any other outstanding Loan or Local Governmental Obligations to the same Borrower to the extent that at such time no moneys are available therefor in any other funds and accounts established under the Bond Resolution or under the applicable Financing Agreement.

Revenues and Revenue Fund

Except as otherwise provided in the Bond Resolution, all Revenues, including without limitation all Payments, will promptly upon receipt by the Trust be deposited in the Revenue Fund. The Bond Trustee shall also deposit in the Revenue Fund any amounts directed to be so deposited or transferred to such Fund under any provision of the Bond Resolution and shall hold for the account of the Revenue Fund all Loans made and Local Governmental Obligations purchased in accordance with the Bond Resolution.

On or before each Interest Payment Date for the Bonds, the Bond Trustee shall apply the balance on deposit in the Revenue Fund as follows and in the following order of priority:

(1) To the Debt Service Fund, the amount necessary so that the balance therein equals the sum of (a) all interest due or to become due on such Interest Payment Date on the Bonds outstanding; and (b) all Principal Installments due or to become due on such Interest Payment Date on the Bonds outstanding;

(2) To the Rebate Fund, the amount necessary so that the amount therein equals the Rebate Requirement, if any, as most recently calculated in accordance with the Bond Resolution;

(3) To the Program Trustee, for deposit in the Federal Program Subaccount within the Clean Water Leveraged Bond Account or in the Drinking Water Leveraged Bond Account, as applicable, within the Leveraged Bond Fund to reimburse either the Clean Water Revolving Fund or the Drinking Water Revolving Fund, as applicable, in the amount of any draws from either such Account or Subaccount theretofore made as provided in the Program Resolution due to a Payment Default under any Financing Agreement but only to the extent of Payments received under or pursuant to such Financing Agreement and deposited in the Revenue Fund in satisfaction of such Payment Default;

(4) To the Program Trustee, for deposit in the Clean Water Pool Program Reserve Account or the Drinking Water Pool Program Reserve Account, as applicable within the Pool Program Reserve Fund to reimburse either the Clean Water Revolving Fund or the Drinking Water Revolving Fund, as applicable, in the amount of any payments from the applicable Account made as provided in the Program Resolution due to a Payment Default under any Financing Agreement, but only to the extent of Payments received under or pursuant to such Financing Agreement and deposited in the Revenue Fund in satisfaction of such Payment Default;

(5) To the Program Trustee, for deposit in the Federal Program Subaccount within the Clean Water Deficiency Account, or the Drinking Water Deficiency Account, as applicable, within the Deficiency Fund to reimburse either the Clean Water Revolving Fund or the Drinking Water Revolving Fund, as applicable, in the amount of any payments from either such Account or Subaccount made as provided in the Program Resolution due to a Payment Default under any Financing Agreement, but only to the extent of Payments received under or pursuant to such Financing Agreement and deposited in the Revenue Fund in satisfaction of such Payment Default;

(6) To the Clean Water Debt Service Reserve Account or the Drinking Water Debt Service Reserve Account, as applicable, within the Debt Service Reserve Fund, to the extent and in the amount of any draws on the applicable Account theretofore made as provided in the Bond Resolution due to a Payment Default under any Financing Agreement but only to the extent of Payments received under or pursuant to such Financing Agreement and deposited in the Revenue Fund under the Bond Resolution in satisfaction of such Payment Default;

(7) To the Subsidy Fund (i) if and to the extent required so that the balance therein equals the Subsidy Fund Requirement, and (ii) to the extent and in the amount of any draws thereon theretofore made as provided in the Bond Resolution due to a Payment Default under any Financing Agreement but only to the extent of Payments received under or pursuant to such Financing Agreement and deposited in the Revenue Fund under the Bond Resolution in satisfaction of such Payment Default;

(8) To the Redemption Fund, as directed by an authorized officer of the Trust, all or any portion of the remaining balance in the Revenue Fund; and

(9) To or upon the order of the Trust, all or any portion of the remaining balance in the Revenue Fund as requested in writing by the Trust, but only upon receipt by the Bond Trustee of a Trust certificate to the effect that following such payment expected Revenues and other funds available for the purpose will be sufficient to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due and all required deposits, if any, into all Funds and Accounts established and maintained under the Bond Resolution.

Application of Debt Service Fund

The Bond Trustee will pay out of the Debt Service Fund to the Paying Agent on or before each Interest Payment Date on the Bonds the amount required for the interest and Principal Installments payable on such date.

Notwithstanding anything in the Bond Resolution to the contrary, by 1:00 p.m. on any day which is two (2) Business Days prior to any Interest Payment Date for any outstanding Bonds, the Bond Trustee shall promptly notify the Trust and the Program Trustee as to any portion of the Principal Installments or interest on the Bonds then due that will not be paid or that will be paid from amounts on deposit in the Clean Water Debt Service Reserve Account or the Drinking Water Debt Service Reserve Account, as applicable, within the Debt Service Reserve Fund in accordance with the Bond Resolution, in either case due to a Payment Default on a Loan or a Local Government Obligation. To the extent amounts are not available in the Clean Water Debt Service Reserve Account or the Drinking Water Debt Service Reserve Account, as applicable, for such purpose, such notice shall include a request for immediate transfer to the Bond Trustee of all or part of the Allocated Equity attributable to the related Loan or Local Governmental Obligation, including amounts allocable to such Loan or Local Governmental Obligation on deposit in the Federal Program Subaccount within the Clean Water Leveraged Bond Account or in the Drinking Water Leveraged Bond Account, as applicable, within the Leveraged Bond Fund, and amounts allocable to such Loan or Local Governmental Obligation available to be drawn from Federal Capitalization Grants and Commonwealth Matching Grants or otherwise pursuant to any Grant Agreement that have not yet been deposited in the Federal Program Subaccount with the Clean Water Leveraged Bond Account or in the Drinking Water Leveraged Bond Account, as applicable, or in the Clean Water Debt Service Reserve Account or the Drinking Water Debt Service Reserve Account, as applicable, and which will be required to pay the Principal Installments or interest on the Bonds. To the extent that the deficiency resulting from the Payment Default is expected to exceed the full amount of Allocated Equity for the related Loan or Local Governmental Obligation, such notice shall indicate whether the Payment Default is related to a Clean Water Obligation or a Drinking Water Obligation and shall include a request for amounts from the Pool Program Reserve Fund. To the extent that the deficiency resulting from the Payment Default is expected to exceed both the full amount of Allocated Equity for the related Loan or Local Governmental Obligation and the available amounts in the Pool Program Reserve Fund, such notice shall include a request for amounts from the Deficiency Fund. After the giving of such notice and until any deficiency in the Clean Water Debt Service Reserve Account or the Drinking Water Debt Service Reserve Account, as applicable, allocable to the related Loan or Local Governmental Obligation shall have been cured, the Bond Trustee shall notify the Program Trustee of any remaining amount due or past due on the applicable Loan or Local Governmental Obligation and of any related deficit in the Clean Water Debt Service Reserve Account or the Drinking Water Debt Service Reserve Account, as applicable (i) immediately succeeding the receipt of any Payment applicable to such Loan or Local Governmental Obligation from any source, (ii) from time to time when there is a change in the amount due or past due on such Loan or Local Governmental Obligation or in the amount of the deficit in the Clean

Water Debt Service Reserve Account or the Drinking Water Debt Service Reserve Account, as applicable, and (iii) when any such related deficiency in the Clean Water Debt Service Reserve Account or the Drinking Water Debt Service Reserve Account, as applicable, shall have been cured.

Application of Redemption Fund

If at any time there are insufficient amounts in the Debt Service Fund and the Revenue Fund to pay the Principal Installments and interest on the Bonds then due, the Bond Trustee shall withdraw from the Redemption Fund and deposit in the Debt Service Fund the amount necessary to meet the deficiency (other than from moneys held therein for the payment of the Redemption Price of and interest on Bonds for which the required notice of redemption shall have already been given).

Except as provided above, all moneys transferred to the Redemption Fund shall be applied to the purchase or redemption of Bonds including the payment of any premium payable upon redemption thereof.

Application of Debt Service Reserve Fund

The Bond Trustee shall promptly deposit in the Clean Water Debt Service Reserve Account or the Drinking Water Debt Service Reserve Account, as applicable, the following receipts: (i) all Allocated Equity attributable to the Loans and Local Governmental Obligations; (ii) any amounts transferred to the Clean Water Debt Service Reserve Account or the Drinking Water Debt Service Reserve Account, as applicable, to reimburse such Clean Water Debt Service Reserve Account or Drinking Water Debt Service Reserve Account for transfers to the Debt Service Fund to provide for payment of Principal Installments of and interest on the Bonds due to a Payment Default on the related Loan or Local Governmental Obligations; and (iii) any other amounts made available by the Trust for deposit in the Clean Water Debt Service Reserve Account or the Drinking Water Debt Service Reserve Account, as applicable.

The Bond Trustee shall make the following transfers and payments from the Debt Service Reserve Fund:

(1) All Net Earnings derived from the investment or deposit of moneys in the Debt Service Reserve Fund shall be transferred by the Bond Trustee to the Revenue Fund;

(2) If on any Interest Payment Date for any Bonds Outstanding the amounts on deposit and available in the Debt Service Fund, the Revenue Fund, the Redemption Fund and, to the extent provided in the Bond Resolution, the Subsidy Fund are insufficient to pay all Principal Installments and interest on the Bonds then payable due to a Payment Default on a Loan or Local Governmental Obligation, the Bond Trustee, not later than 1:00 p.m. on such Interest Payment Date, shall withdraw from the Clean Water Debt Service Reserve Account or the Drinking Water Debt Service Reserve Account, as applicable and deposit in the Debt Service Fund the amount of such deficiency, provided that the amount so withdrawn shall not exceed the amount held in the Clean Water Debt Service Reserve Account or the Drinking Water Debt Service Reserve Account, as applicable, that is allocable to such Loan or Local Governmental Obligation as certified by the Trust pursuant to the Bond Resolution; and

(3) Upon the written direction of the Trust on the Business Day on which a Principal Installment on the Bonds is due and paid or duly provided for in accordance with the terms of the Bonds, the Bond Trustee shall transfer to the Program Trustee for deposit in the Clean Water Pool Program Reserve Account or the Drinking Water Pool Program Reserve Account, as applicable, within the Pool Program Reserve Fund from the Clean Water Debt Service Reserve Account and the Drinking Water Debt Service Reserve Account, as applicable, an amount such that the aggregate amount remaining in the Clean Water Debt Service Reserve Account and the Drinking Water Debt Service Reserve Account (together with the amounts on deposit in the Clean Water Leveraged Bond Account or the Drinking Water Leveraged Bond Account, as applicable, within the Leveraged Bond Fund and the amount, if any, available to be drawn from Federal Capitalization Grants, Commonwealth Matching Grants or otherwise pursuant to any Grant Agreement and allocated as Equity for the Clean Water Obligations or the Drinking Water Obligations held under the Bond Resolution in accordance with the applicable Equity Allocation Certificate) shall be equal to the Clean Water Debt Service Reserve Account Requirement and the Drinking Water Debt Service Reserve Account Requirement calculated on such Business Day (and after credit for all Payments on the Clean Water Obligations and Drinking Water Obligations paid by or on behalf of the related Borrowers on such day).

Notwithstanding anything in the Bond Resolution to the contrary, except as otherwise provided in the Financing Agreements, or as otherwise prohibited by applicable law, if more than one Loan or Local Governmental Obligation shall be outstanding under the Bond Resolution for the account of a Borrower and on any Payment Date a Payment Default shall occur with respect to all or any part of the Payments payable on any one or more of such Loans or Local Governmental Obligations, the aggregate amount of such Payment Default shall be allocated to all Loans and Local Governmental Obligations outstanding under the Bond Resolution to such Borrower, pro rata in proportion to the aggregate amount of Payments payable on such Payment Date on each such Loan or Local Governmental Obligation.

Rebate Fund

Amounts deposited in the Rebate Fund shall be applied by the Trust to pay to the United States any amount required to be so paid in order that the Bonds shall comply with the Rebate Provision. The Trust further covenants to pay such amount to the United States whether or not the amount on deposit in the Rebate Fund and available therefor is sufficient for such payment and to establish such accounting procedures as are required to determine the amount, if any, so payable.

In the event that, at the time of any required payment from the Rebate Fund, the amount in the Rebate Fund available for such payment shall be insufficient to make such payment (after deposit therein of any amounts provided in the Program Resolution), the Trust shall pay the amount of the deficiency from any moneys available to the Trust not pledged under the Bond Resolution or the Program Resolution to the Bonds.

Application of Subsidy Fund

On or before each Interest Payment Date for the Bonds, the Bond Trustee shall withdraw from the Subsidy Fund and deposit in the Debt Service Fund the amount as set forth in the certificate of an authorized officer delivered to the Bond Trustee on or prior to the delivery of the Bonds, or, if less, the balance on deposit in the Subsidy Fund.

On or prior to the delivery of the Bonds, the Trust shall deliver a certificate to the Bond Trustee setting forth (i) a schedule of deposits to the Subsidy Fund pursuant to the Bond Resolution and the resulting Subsidy Fund Requirement therefor as of August 1 and February 1 of each Fiscal Year while any Bonds are Outstanding under the Bond Resolution, and (ii) a schedule of withdrawals from the Subsidy Fund in accordance with the preceding paragraph, accompanied by the written direction of the Trust regarding the investment of amounts in the Subsidy Fund in such Investment Obligations as shall be designated in such certificate. All Net Earnings from the investment or deposit of moneys in the Subsidy Fund shall be credited to the Subsidy Fund.

Notwithstanding anything in the Bond Resolution to the contrary, if on any Interest Payment Date for any Bonds Outstanding the amount on deposit and available in the Debt Service Fund is insufficient to pay all Principal Installments and interest on the Bonds then payable due to a Payment Default on a Local Governmental Obligation held under the Bond Resolution, or due to a Payment Default on any Loan to a Borrower which has also issued a Local Governmental Obligation to the Trust under the Bond Resolution, after application to such Payment Default of any amounts available therefor in the Revenue Fund, the Subsidy Fund pursuant to the first paragraph under this heading and the Redemption Fund, the Bond Trustee shall withdraw from the Subsidy Fund and deposit such amount in the Debt Service Fund, or if less, the amount on deposit in the Subsidy Fund allocable to such Local Governmental Obligation, as certified by the Trust in accordance with the following paragraph.

As long as no Event of Default shall have occurred and be continuing, the Bond Trustee shall be entitled to rely without inquiry on a certificate of an Authorized Officer of the Trust as to the proper amounts to be deposited in or withdrawn from the Subsidy Fund as required by the Bond Resolution. The Trust shall furnish the Bond Trustee with such a certificate prior to each time the Bond Trustee is required or directed to deposit amounts in or withdraw amounts from the Subsidy Fund. The Bond Trustee shall retain copies of such certificates while any of the Bonds remain outstanding.

Investments and Deposits

Except as otherwise provided in the Bond Resolution, moneys held for the credit of any Fund or Account under the Bond Resolution will be invested by the Bond Trustee at the direction of an authorized officer in Investment Obligations which mature or are redeemable at the option of the owner thereof on such dates and in such amounts as may be necessary to provide moneys to meet the payments from such Funds and Accounts. Notwithstanding any provision of the Bond Resolution to the contrary, no moneys on deposit in the Debt Service Reserve Fund will be invested in any Investment Obligation the purchase of which would (at the time of such purchase) adversely affect the ratings then assigned by any Rating Agency to any Bonds outstanding.

In computing the amount in any Fund or Account held by the Bond Trustee under the provisions of the Bond Resolution, Investment Obligations shall be valued at par if purchased at par or at amortized value if purchased at other than par. Valuation on any particular date shall include the amount of interest then earned or accrued to such date on any Investment Obligations. Except as otherwise provided in the Bond Resolution or in the Equity Allocation Certificate, Net Earnings derived from the investment or deposit of moneys in any Fund or Account will be credited to the Revenue Fund.

Covenant as to Pledge

The Loans, Local Governmental Obligations, Revenues and other property pledged under the Bond Resolution are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Bond Resolution except to the extent expressly permitted by the Bond Resolution. Nothing under this heading shall be deemed to limit the right of the Trust, and the Trust expressly retains the right, to create a pledge, lien or other charge on the Loans, Local Governmental Obligations, Revenues and other property pledged under the Bond Resolution junior and subordinate to the pledge and lien created thereby, so long as any such pledge, lien or other charge shall not adversely affect the ratings then assigned to any outstanding Bonds by any Rating Agency.

Issuance of Additional Obligations

Except as set forth under the heading "Covenant as to Pledge," the Trust shall not hereafter create or permit the creation of or issue any obligations or create any additional indebtedness which will be secured by an equal or prior charge and lien on the Revenues, Loans, Local Governmental Obligations, and other property pledged under the Bond Resolution or which will be payable from any of the Funds or Accounts established and created by or pursuant to the Bond Resolution prior to the payment or provision for payment of the Bonds, except that the Bonds may be refunded in whole or in part, and such refunding bonds may be issued on a parity with the Bonds and secured by an equal charge and lien on the Revenues, Loans, Local Governmental Obligations, and other property pledged under the Bond Resolution and shall be payable equally and ratably from the Funds or Accounts established and created pursuant to the Bond Resolution.

The Trust expressly reserves the right to adopt one or more other bond resolutions and reserves the right to issue other obligations (including obligations secured on a junior or subordinate lien basis) so long as the same are not a charge or lien prohibited by the foregoing paragraph.

Covenants as to Loans and Local Governmental Obligations

No Loan will be made by the Trust from the proceeds of Bonds or other moneys available therefor under the Bond Resolution, and no Local Governmental Obligations shall be acquired under the Bond Resolution, and no Bonds shall be issued by the Trust for the purpose of providing funds with which to make Loans or to purchase Local Governmental Obligations, unless (1) the Loans and Local Governmental Obligations shall comply with the terms, conditions, provisions and limitations of the Act, the Clean Water Act or the Drinking Water Act, as applicable, any applicable Grant Agreement and the provisions set forth under this heading, (2) the Projects to be financed or refinanced by such Loans or Local Governmental Obligations shall have been approved by DEP in accordance with the Act and DEP's regulations and (3) the Loans or Local Governmental Obligations shall have been approved by the Trust.

Except as otherwise permitted by the Bond Resolution, Loans and Local Governmental Obligations purchased with the proceeds of Bonds and any other moneys available therefor under the Bond Resolution shall have Scheduled Payments or other legally enforceable payments thereon constituting Revenues under the Bond

Resolution which together with all other moneys reasonably anticipated to be available therefor (including without limitation Equity Earnings and Contract Assistance Payments), shall be at least sufficient in aggregate amount and in time of receipt to pay in the current and each subsequent Fiscal Year all Aggregate Debt Service when due. Without limiting the generality of the foregoing, each Loan and Local Governmental Obligation shall provide for the payment to or for the account of the Trust of the Payments due thereon on each Payment Date thereunder not less than five (5) Business Days prior to such Payment Date.

The Trust shall do all such acts and things necessary to receive and collect Revenues as may be consistent with sound banking practices and principles and shall diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the Trust for the enforcement of all terms, covenants and conditions of Loans, Local Governmental Obligations and the applicable Financing Agreements including the prompt payment of all Payments and all other amounts due the Trust thereunder. The Trust shall at all times, to the extent permitted by law, defend, enforce, preserve and protect the rights and privileges of the Trust and of the Bondowners under or with respect to each Loan, Local Governmental Obligation and all Financing Agreements, provided that, subject to the terms of the applicable Financing Agreement and the rights of DEP thereunder and under the applicable Regulatory Agreement, the Trust shall have the power and authority to settle a default on any Loan or Local Governmental Obligation on such terms as the Trust shall determine to be in the best interests of the Trust and the Bondowners and to forbear from taking action with respect to enforcement of a Loan or Local Governmental Obligation if it determines such forbearance to be in the best interests of the Trust and the Bondowners.

Whenever it shall be necessary in order to protect and enforce the rights of the Trust under a Loan or Local Governmental Obligation and to protect and enforce the rights and interest of Bondowners under the Bond Resolution, the Trust shall take or cause to be taken steps to enforce the applicable Financing Agreement and to enforce any lien or security interest or other right created by such Loan or Local Governmental Obligation or under the applicable Financing Agreement or otherwise available to the Trust under the Act, including without limitation the exercise of the rights with respect to local aid distributions payable by the Commonwealth to a Borrower or any member or other service recipient thereof or any parent governmental unit of any member or other service recipient thereof.

Subject to the provisions of the Clean Water Act or the Drinking Water Act, as applicable, and the applicable Financing Agreement, the Trust may sell, assign, transfer or otherwise dispose of any Loan or Local Governmental Obligation or any participation or other interest therein which is in default or delinquent in the payment of Payments thereon if the Trust determines that such action is in the best interests of the Trust and Bondowners and will result in a greater availability of Revenues to pay Aggregate Debt Service when due and administrative expenses than would be the case if such Loan or Local Governmental Obligation is not sold, assigned, transferred or otherwise disposed of, in which case such Loan or Local Governmental Obligation may be so disposed of by the Trust free and clear of the pledge of the Bond Resolution.

Subject to the provisions of the Clean Water Act or the Drinking Water Act, as applicable, and the applicable Financing Agreement, the Trust may sell, assign, transfer or otherwise dispose of any Loan or Local Governmental Obligation or any participation or other interest therein which is not in default or delinquent in the payment of Payments thereon, or transfer any such Loan or Local Governmental Obligation to itself free and clear of the pledge of the Bond Resolution, in either case at such price as the Trust shall determine, provided that not less than ten (10) Business Days prior to any such disposition or transfer (i) the Trust provides written notice of such disposition or transfer to each Rating Agency then maintaining a rating on any outstanding Bonds and (ii) the Trust files with the Bond Trustee a certificate of an authorized officer showing that following such disposition or transfer anticipated Revenues and any other moneys available to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due will not be less than the amount of Revenues and other moneys anticipated to be available for such purpose if such Loan or Local Governmental Obligation is not so disposed of or transferred. Unless otherwise directed by certificate of an authorized officer of the Trust (including without limitation any Equity Allocation Certificate), the proceeds, if any, of sale, transfer or other disposition of any Loan or Local Governmental Obligation which is not in default or delinquent in the payment of Payments thereon shall be deposited in the Revenue Fund.

The Trust may consent or agree to or permit amendment or modification of any Financing Agreement including amendments and modifications made in connection with settlement of any delinquency or default on any Loan or Local Governmental Obligation which settlement the Trust determines to be in the best interests of the Trust; provided, however, that any amendment or modification shall be permitted only if the amended Financing Agreement and the Loan or Local Governmental Obligation thereunder satisfies the requirements of the Bond

Resolution for a Loan or Local Governmental Obligation which the Trust may make or purchase and hold thereunder and the Trust determines that such modification will not have a material adverse impact, taking into account the reasonable expectations with respect to the Loan or Local Governmental Obligation in question immediately prior to such modification, on the Trust's ability to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due.

Tax Covenants

The Trust shall not use or permit the use of any proceeds of Bonds or any other funds of the Trust, directly or indirectly, to acquire any securities or obligations, and shall not use or permit the use of any amounts received by the Trust or the Fiduciaries with respect to the Revenues, Loans or Local Governmental Obligation in any manner, and shall not otherwise take or permit to be taken any other action or actions, which would cause any Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code or, to the extent applicable, which would cause any Bond to violate any of the restrictions contained in Section 141 through Section 150 the Code.

The Trust shall take all lawful action necessary to ensure that interest on the Bonds will remain excludable from gross income for federal income tax purposes and shall not use or permit the use of any proceeds of Bonds or any other funds of the Trust, directly or indirectly, in any manner, and shall not take or permit to be taken any other action or actions, which would cause the interest on the Bonds to become includable in gross income for federal income tax purposes.

Accounts and Reports

The Trust shall keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all its transactions relating to the Program and all funds and accounts established by or pursuant to the Bond Resolution, including in particular, and without limitation, amounts allocable to Loans and Local Governmental Obligations in the Subsidy Fund and in the Clean Water Debt Service Reserve Account and the Drinking Water Debt Service Reserve Account within the Debt Service Reserve Fund, which shall at all reasonable times be subject to the inspection of the Bond Trustee, any Borrower and the Owners of not less than 5% in aggregate principal amount of Bonds then outstanding or their representatives duly authorized in writing.

The Trust shall annually file with the Bond Trustee, and otherwise as provided by law, a copy of an annual report for such year (the "Annual Report"), and shall annually, within 120 days after the close of each Fiscal Year, file with the Bond Trustee, and otherwise as provided by law, financial statements relating to the Program containing the report thereon of an independent public accountant or firm of accountants acceptable to the Bond Trustee (the "Annual Program Audit"). The Annual Program Audit shall include the following statements relating to the Bonds in reasonable detail: (a) the receipts and expenditures for the Program during such Fiscal Year in accordance with the categories or classifications established by the Trust for its operating and capital outlay purposes; (b) assets and liabilities at the end of such Fiscal Year, including a schedule of Loans, Local Governmental Obligations and the status of reserve, special or other funds and the funds and accounts established by the Bond Resolution; and (c) a schedule of Bonds outstanding at the end of such Fiscal Year, together with a statement of the amounts paid, redeemed and issued during such Fiscal Year. A copy of each Annual Report shall be mailed by the Trust to each Bondowner who shall have filed his name and address with the Trust for such purpose.

As long as no Event of Default shall have occurred and be continuing, the Bond Trustee shall be entitled to rely without inquiry on a certificate of an Authorized Officer of the Trust as to the proper amounts to be deposited in or withdrawn from the Debt Service Fund, the Leveraged Bond Fund, the Pool Program Reserve Fund, the Deficiency Fund, the Debt Service Reserve Fund or the Subsidy Fund as required by the Bond Resolution. The Trust shall furnish the Bond Trustee with such a certificate prior to each time the Bond Trustee is required or directed to deposit amounts in or withdraw amounts from the Debt Service Fund, the Leveraged Bond Fund, the Pool Program Reserve Fund, the Deficiency Fund, the Debt Service Reserve Fund or the Subsidy Fund. The Bond Trustee shall retain copies of such certificates while any of the Bonds remain outstanding.

Supplemental Bond Resolutions

Any of the provisions of the Bond Resolution may be amended by the Trust with the written consent of the Owners of at least 60% in the aggregate principal amount of the outstanding Bonds at the time such consent is given. No such modification or amendment may permit a change in the terms of redemption or maturity of any outstanding Bonds or of any installment of interest thereon or a reduction in the Principal Amount or the Redemption Price

thereof or the rate of interest thereon without the consent of the Owner of such Bond, or shall reduce the percentages of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without the filing with the Bond Trustee of its written assent thereto.

The Trust may adopt (without the consent of any Bondowners but with the consent of the Bond Trustee) Supplemental Bond Resolutions (1) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Bond Resolution; (2) to insert any provisions, not contrary to or inconsistent with the Bond Resolution as theretofore in effect, clarifying matters or questions arising under the Bond Resolution; (3) to insert or amend any provision in the Bond Resolution required to comply with the Clean Water Act or the Drinking Water Act, as applicable, or necessary to maintain the exclusion from federal income taxes of interest on any Bonds outstanding to which such exclusion applies and which will not adversely affect the ratings then assigned to any Bonds outstanding by any Rating Agency; and (4) to insert, repeal or amend any provision in the Bond Resolution, provided such insertion, deletion or amendment is permitted by the Clean Water Act or the Drinking Water Act, as applicable, and the Act and will not adversely affect the ratings then assigned to any Bonds outstanding by any Rating Agency.

Amendments to Financing Agreements, Loans and Local Governmental Obligations

Without notice to or the consent of any of the Bondowners, the Trust may, with prior written notice to the Bond Trustee, execute and deliver one or more amendments to or supplements to the Financing Agreements pertaining to any of the Loans or Local Governmental Obligations held under the Bond Resolution (i) to cure any ambiguity, supply any omission or cure or correct any defect or inconsistent provisions in such Financing Agreement, Loan or Local Governmental Obligations, (ii) to insert any provisions therein, not contrary to or inconsistent with the instrument as theretofore in effect, clarifying matters or questions arising under the instrument or to effect any amendment thereof permitted by the terms of such instrument as theretofore in effect; and (iii) to insert, repeal or amend any provision in such instruments, provided such insertion, deletion or amendment is permitted by the Clean Water Act or the Drinking Water Act, as applicable, (to the extent applicable to such amendment) and the Act and will not adversely affect the ratings then assigned to any Bonds outstanding by any Rating Agency. Except as provided in the foregoing sentence, the Trust shall not execute and deliver any amendment to or supplement of a Financing Agreement pertaining to any Loan or Local Governmental Obligation held under the Bond Resolution unless such amendment or supplement shall have been consented to by or on behalf of the Bondholders to the same extent and in the same manner as if such amendment were a Supplemental Bond Resolution which required the consent of Bondholders.

Events of Default

Events of Default specified in the Bond Resolution include:

- (1) failure to pay the Principal Amount or redemption price of or interest on any Bond when due;
- (2) failure for 30 days after written notice thereof in the performance or observance of any other of the covenants, agreements or conditions specified in the Bond Resolution; provided that if such default cannot be remedied within such 30 day period, it shall not constitute an Event of Default under the Bond Resolution if corrective action is instituted by or on behalf of the Trust within such period and diligently pursued until the default is remedied;
- (3) if an order, judgment or decree is entered by a court of competent jurisdiction (a) appointing a receiver, trustee, or liquidator for the Trust or the whole or any substantial part of its assets, (b) granting relief in involuntary proceedings with respect to the Trust under the Federal bankruptcy act, or (c) assuming custody or control of the Trust or of the whole or any substantial part of its assets under the provisions of any law for the relief of debtors, and the order, judgment or decree is not set aside or stayed within 60 days from the date of entry of the order, judgment or decree; or
- (4) if the Trust (a) admits in writing its inability to pay its debts or the interest thereon generally as they become due, (b) commences voluntary proceedings in bankruptcy or seeking a composition of indebtedness, (c) makes an assignment for the benefit of its creditors, (d) consents to the appointment of a receiver of the whole or any substantial part of its assets, or (e) consents to the assumption

by any court of competent jurisdiction under any law for the relief of debtors of custody or control of the Trust or of the whole or any substantial part of its assets.

Remedies

Upon the happening and continuance of any Event of Default, the Bond Trustee in its own name may proceed, and upon the written request of the Owners of not less than 25% in aggregate Principal Amount of the Outstanding Bonds, must proceed, to protect and enforce its rights and the rights of the Bondowners by such suits, actions or proceedings as the Bond Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights, including, for defaults other than a default in the performance of covenants, by declaring the principal amount of all Bonds then outstanding and the interest accrued thereon due and payable immediately; provided that the principal amount of the Bonds shall not be declared due and payable as aforesaid unless simultaneously with such declaration the unpaid principal amount of all Loans and Local Governmental Obligations outstanding, and the interest thereon, is similarly declared due and payable.

Application of Revenues and Other Moneys After Default

If an Event of Default (other than a covenant default) happens and is not remedied, the Trust upon demand of the Bond Trustee will pay over to the Bond Trustee upon receipt thereof all Revenues and other moneys pledged under the Bond Resolution. Unless otherwise directed by a court, all such Revenues and other moneys and any other moneys received or collected by the Bond Trustee will be applied as provided in the Bond Resolution.

Restriction on Bondowner's Action

No Owner of any Bond shall have any right to institute any suit, action or proceeding for the enforcement of any provision of the Bond Resolution or for any other remedy thereunder, unless (a) such Owner previously shall have given to the Trust and the Bond Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted, (b) the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then outstanding shall have duly requested in writing that the Bond Trustee institute such suit, action or proceeding (c) the Bond Trustee shall have refused or neglected to comply with such request within a reasonable time, and (d) such suit, action or proceeding is brought for the ratable benefit of all Owners of all Bonds subject to the provisions of the Bond Resolution.

Removal of Bond Trustee

The Bond Trustee, or any successor thereof, may be removed at any time by the Owners of a majority in aggregate Principal Amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Trust, by an instrument or concurrent instruments in writing signed and duly acknowledged by such Bondowners or by their attorneys duly authorized in writing and delivered to the Trust. The Trust may remove the Bond Trustee at any time, except during the existence of an Event of Default.

Defeasance

If the Trustee pays the principal amount and interest, and redemption price, if any, to become due on all outstanding Bonds and pays or provides for the payment of all fees and expenses of the Trustee and paying agents, then the pledge of Revenues, Loans, Local Governmental Obligations, or other property pledged by the Bond Resolution and all other rights granted by the Bond Resolution will be discharged and satisfied. All outstanding Bonds will, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning of the foregoing sentence if, among other things, there have been deposited with the Bond Trustee either moneys in an amount which shall be sufficient, or Investment Obligations (of the type described in clauses (1), (2) or (3) of the definition of Investment Obligations in Appendix A) the principal of and interest on which when due will provide moneys which will be sufficient, to pay when due the principal amount or redemption price, if applicable, of and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be.

SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENTS

The Borrower Obligations

Under the terms and conditions of the Financing Agreement between the Trust and each Borrower, the Trust agrees to either make a Loan to, or to purchase Local Governmental Obligations from, the Borrower, and the Borrower agrees to make Payments on the Payment Dates and in the amounts set forth in the Financing Agreement. The Scheduled Payments on the Borrower Obligations will be sufficient in aggregate amount and in time of receipt to pay the Aggregate Debt Service when due on the Bonds.

Payments

All Payments made by the Borrower and all Equity Earnings and Commonwealth Subsidies and other amounts applied on account of such Payments, will be applied, first, to the interest, if any, then due and payable on the Borrower Obligations and, second, to the principal amount of the Borrower Obligations then due and payable. On each Payment Date the Trust will apply, and the Borrower will receive, as a credit against the Scheduled Payments then payable on the Borrower Obligations, the Subsidy Amounts allocable to such Payment Date as provided in the Financing Agreement. Not less than five (5) business days prior to each Payment Date, the Borrower will pay to the Bond Trustee for the account of the Trust, by wire transfer to such account or otherwise in such manner as the Trust may from time to time designate to the Borrower, the net Payments then due on the Borrower Obligations.

If at any time the Trust shall determine that a deficiency will exist in the Debt Service Fund on a Payment Date due to a reduction in Equity Earnings caused by either a default by the obligor on any Investment Obligation or a failure of the Borrower to pay when due any part of any Payment, the Trust will promptly furnish the Borrower with written notice of such deficiency and the resulting increase in the net Payments payable under the Financing Agreement, and the amount of any increase in any net Payment shall be paid by the Borrower on the scheduled Payment Date therefor or, if later, within five (5) business days of receipt by the Borrower of notice of such increase.

The Borrower expressly acknowledges that the obligation of the Trust to apply Commonwealth Subsidies as provided in the Financing Agreement is limited solely to the Contract Assistance Payments allocable to the Borrower Obligations paid to the Trust and any Net Earnings upon investment of such Contract Assistance Payments when received by the Trust. Any failure by the Commonwealth to provide Contract Assistance Payments in the amounts and at the times contemplated by the Financing Agreement and the Commonwealth Assistance Contract, or any failure by the Trust to invest and apply such payments as provided in the Bond Resolution or any loss on investment thereof, shall not diminish the obligation of the Borrower to pay the Borrower Obligations and the interest, if any, thereon in the amounts and at the times provided in the Financing Agreement and in the Borrower Obligations. If at any time the Trust shall determine that a deficiency will exist in the Debt Service Fund on a Payment Date due to a default by the Commonwealth under the Commonwealth Assistance Contract or any failure of the Trust to receive Net Earnings on investment of Contract Assistance Payments received thereunder, the Trust shall promptly furnish the Borrower with written notice of such deficiency and the resulting increase in the net Payment next payable. The amount of any increase in such net Payment shall be paid by the Borrower on the scheduled Payment Date therefor or, if later, within five (5) business days of receipt by the Borrower of notice of such increase in such Payment.

Prepayment of Borrower Obligations

The Borrower Obligations are subject to prepayment at the option of the Borrower on terms substantially similar to the optional redemption provisions applicable to the corresponding Bonds. If the Borrower elects to prepay all or any portion of its Borrower Obligations which are then subject to prepayment under the applicable Financing Agreement, the Borrower will promptly pay over to the Trust amounts sufficient to pay a prepayment price equal to (i) the principal amount so prepaid, plus (ii) an amount equal to all costs of the Trust (including without limitation redemption premium, if any, Trustee's fees and expenses and reasonable attorneys' fees) incurred in connection with any corresponding redemption of Bonds plus (iii) an amount equal to any interest payable on such Bonds to the date or dates of such redemption that is not provided for by earnings on investment or deposit of the amount prepaid from the prepayment date to the redemption date or dates of such Bonds.

Disbursement of Proceeds of the Borrower Obligations

The Trust will establish a Project Account within the Project Fund under the Bond Resolution for each Project financed or refinanced by the Borrower Obligations. Amounts deposited in the Project Account shall be applied by the Trust to the payment or reimbursement of Costs of the related Project as provided in the Financing Agreement, in the related Project Regulatory Agreement and in the Bond Resolution. Only amounts on deposit in a Project Account representing proceeds of Bonds or other moneys of the Trust deposited therein as provided in the Financing Agreement and the Bond Resolution will be available to pay Project Costs.

Upon receipt by the Trust of the Disbursement Completion Certificate provided in the applicable Project Regulatory Agreement, any balance remaining on deposit in the Project Account not then payable to or for the account of the Borrower in accordance with the Disbursement Completion Certificate will be applied at the direction of the Borrower with the prior approval of the Trust to (i) additional Costs of the applicable Project upon amendment of the definition thereof approved by the Department, or (ii) the prepayment of Borrower Obligations as provided in the Financing Agreement.

Tax Covenants

So long as any Bonds shall be outstanding and unpaid, the Borrower agrees that it shall not take, or permit to be taken, any action or actions that would cause any Bond to be an “arbitrage bond” within the meaning of Section 148 of the Code or a “private activity bond” within the meaning of Section 141(a) of the Code or that would cause any Bond to be “federally guaranteed” within the meaning of Section 149(b) of the Code, or that would otherwise cause any amounts payable with respect to the Bonds to become included in gross income for federal income tax purposes; the Borrower further agrees that it shall take all actions, and shall maintain all records and accounts, required by any provision of applicable law, necessary to comply with, or necessary to permit the Trust to comply with, the provisions of Section 148(f) of the Code.

Defaults and Remedies

Failure of the Borrower to pay when due all or any part of any Payment payable under the Financing Agreement shall be and shall constitute an immediate Event of Default under the Financing Agreement and the related Borrower Obligations. Failure of the Borrower to perform and observe any other covenant, agreement or condition on its part provided in the Financing Agreement or in the related Borrower Obligations shall constitute an Event of Default if not cured within a period of thirty days after written notice thereof.

Upon the occurrence of any Event of Default under the Financing Agreement, the Trust shall have, in addition to the remedies set forth in the Financing Agreement, all other remedies permitted by law including the right to seek compliance by the Borrower with the terms and provisions of the Financing Agreement and the related Borrower Obligations by suit or suits in equity or at law, for the specific performance of any covenant, term or condition of the Financing Agreement, or in the aid of the execution of any power granted in the Financing Agreement, and may exercise any other right or remedy upon such default as may be granted to the Trust under the Act, the applicable Bond Act or under any other applicable provision of law.

Pool Bonds Debt Service and Pool Program Reserve Fund

The following table sets forth information related to the expected sources of payment for debt service on all Outstanding Pool Bonds, including the Bonds, issued by the Trust, together with the amounts that will be transferred on any payment date to the Pool Program Reserve Fund, assuming that there is no Payment Default on any Pool Borrower Obligation or SESD Pool Borrower Obligation. **The following table includes information relating to the Bonds.**

Set forth below for each payment date of February 1 and August 1 is the following information:

- Principal and interest payments on all Outstanding Pool Bonds, including the Bonds;
- The Net Payments by Pool Borrowers for all Pool Borrower Obligations and SESD Pool Borrower Obligations;
- The Subsidy Amounts, consisting of Equity Earnings and Commonwealth Subsidies, expected to be applied to the payment of principal and interest payments on all Outstanding Pool Bonds, including the Bonds;
- The Total Net Payments and Subsidy Amounts which, in the aggregate at least equal the principal and interest payable on all Outstanding Pool Bonds, including the Bonds;
- The amounts expected to be transferred from each of the debt service reserve funds for the Pool Bonds and the SESD Bonds to the Pool Program Reserve Fund.

The scheduled transfer of funds to the Pool Program Reserve Fund is available on a pro rata basis to secure all Pool Bonds in the event of a Payment Default by any Pool Borrower, as follows:

- Amounts transferred to the Pool Program Reserve Fund will be retained in such Fund for the credit of any debt service reserve fund against which a draw has been made to satisfy a payment deficiency on a Pool Borrower Obligation; or
- If no funds allocable to the defaulting Pool Borrower are available in the applicable debt service reserve fund or in the Pool Program Reserve Fund from prior payment dates, amounts transferred to the Pool Program Reserve Fund will be applied to pay debt service on the related Pool Bonds.

Amounts in the Pool Program Reserve Fund that are not applied as set forth above shall be transferred on the same payment date to the Deficiency Fund, and, together with amounts (not shown in the following table) expected to be transferred to the Deficiency Fund on such dates from each of the debt service reserve funds for the Program Bonds other than the Pool Bonds, shall be similarly available on a pro rata basis to secure all Program Bonds (including the Pool Bonds).

See “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS - Pool Program Reserve Fund; - Deficiency Fund.”

Pool Program¹

<u>Payment Dates</u>	<u>Principal and Interest Payments on Pool Bonds²</u>	<u>Subsidy Amounts</u>			<u>Total Net Payments and Subsidy Amounts</u>	<u>Transfers to Pool Program Reserve Fund⁴</u>
		<u>Net Payments</u>	<u>Equity Earnings³</u>	<u>Commonwealth Subsidies</u>		
February 1, 2004	\$54,057,679	\$28,949,015	\$14,824,705	\$10,427,059	\$54,200,780	\$8,668,043
August 1, 2004	94,912,408	51,172,256	15,627,226	28,311,568	95,111,050	25,108,467
February 1, 2005	56,846,006	31,380,447	15,506,109	10,365,535	57,252,091	9,016,872
August 1, 2005	95,061,588	52,107,471	14,728,018	28,370,167	95,205,655	25,829,854
February 1, 2006	54,407,762	30,158,950	14,840,635	9,848,881	54,848,466	8,547,214
August 1, 2006	95,135,059	52,969,993	13,811,938	28,469,359	95,251,290	26,546,691
February 1, 2007	53,379,523	29,953,314	14,194,610	9,719,076	53,867,000	8,954,957
August 1, 2007	94,839,809	53,491,425	12,858,128	28,558,795	94,908,349	27,263,510
February 1, 2008	51,727,826	29,458,088	13,541,803	9,253,194	52,253,086	9,033,659
August 1, 2008	94,560,849	54,044,876	11,920,937	28,627,342	94,593,156	27,957,168
February 1, 2009	50,518,854	29,119,123	12,846,879	9,088,821	51,054,823	9,334,063
August 1, 2009	93,578,088	54,026,518	11,029,781	28,568,288	93,624,587	28,360,351
February 1, 2010	49,395,552	28,879,509	12,076,332	8,956,551	49,912,392	9,780,378
August 1, 2010	91,369,583	53,225,570	10,276,342	27,946,201	91,448,114	28,336,800
February 1, 2011	48,276,066	28,686,682	11,151,445	8,943,609	48,781,735	10,249,775
August 1, 2011	87,883,298	51,977,405	9,530,179	26,477,785	87,985,369	27,403,144
February 1, 2012	47,074,157	28,370,246	10,231,969	8,946,965	47,549,181	10,112,469
August 1, 2012	87,751,551	52,460,102	8,809,877	26,622,766	87,892,745	24,080,831
February 1, 2013	45,367,455	27,667,174	9,324,714	8,783,207	45,775,094	9,871,399
August 1, 2013	87,460,510	53,280,851	8,121,912	26,263,064	87,665,827	29,099,272
February 1, 2014	42,807,439	26,272,937	8,354,159	8,501,211	43,128,306	7,892,500
August 1, 2014	85,087,495	52,376,193	7,390,080	25,608,108	85,374,382	26,836,016
February 1, 2015	41,416,612	25,919,170	7,389,099	8,541,493	41,849,762	14,508,437
August 1, 2015	84,888,692	53,218,106	6,669,403	25,390,897	85,278,406	33,786,582
February 1, 2016	29,785,197	17,706,230	6,382,792	5,685,090	29,785,198	6,457,500
August 1, 2016	85,206,028	54,221,868	5,933,434	25,288,226	85,443,529	34,029,854
February 1, 2017	27,978,641	16,916,895	5,446,542	5,665,082	28,028,519	6,653,000
August 1, 2017	80,059,703	52,600,338	5,179,886	22,279,479	80,059,703	29,522,992
February 1, 2018	18,447,603	10,599,993	4,475,055	3,372,555	18,447,603	2,912,500
August 1, 2018	80,238,160	53,589,667	4,407,621	22,240,872	80,238,160	30,452,817
February 1, 2019	16,662,419	9,753,057	3,680,518	3,228,843	16,662,419	3,001,500
August 1, 2019	70,876,044	47,557,442	3,611,023	19,707,579	70,876,044	26,639,748
February 1, 2020	15,112,994	9,101,466	2,970,189	3,041,338	15,112,994	3,090,500
August 1, 2020	58,636,619	39,853,220	2,898,634	15,884,765	58,636,619	21,659,406
February 1, 2021	13,795,831	8,561,305	2,391,825	2,842,701	13,795,831	3,154,500

Subsidy Amounts						
<u>Payment Dates</u>	<u>Principal and Interest Payments on Pool Bonds²</u>	<u>Net Payments</u>	<u>Equity Earnings³</u>	<u>Commonwealth Subsidies</u>	<u>Total Net Payments and Subsidy Amounts</u>	<u>Transfers to Pool Program Reserve Fund⁴</u>
August 1, 2021	\$45,054,456	\$31,474,839	\$2,318,787	\$11,260,830	\$45,054,456	\$16,103,230
February 1, 2022	7,231,997	4,057,350	1,962,015	1,212,632	7,231,997	640,000
August 1, 2022	45,155,997	31,952,183	1,947,197	11,256,617	45,155,997	16,556,053
February 1, 2023	6,239,997	3,466,081	1,580,320	1,193,596	6,239,997	662,000
August 1, 2023	31,612,588	22,682,727	1,564,993	7,364,868	31,612,588	10,677,563
February 1, 2024	31,612,588	3,264,336	1,323,734	982,127	5,570,197	686,000
August 1, 2024	18,211,250	12,262,099	1,307,851	4,641,301	18,211,250	5,577,576
February 1, 2025	5,202,984	3,048,091	1,172,767	982,127	5,202,984	710,000
August 1, 2025	18,287,500	12,489,871	1,156,328	4,641,301	18,287,500	5,772,239
February 1, 2026	4,820,809	2,822,116	1,016,566	982,127	4,820,809	734,000
August 1, 2026	18,393,788	12,752,915	999,572	4,641,301	18,393,788	5,984,902
February 1, 2027	4,422,459	2,585,655	854,678	982,127	4,422,459	758,000
August 1, 2027	18,478,900	13,000,472	837,128	4,641,301	18,478,900	6,195,231
February 1, 2028	4,013,075	2,343,788	687,161	982,127	4,013,075	784,000
August 1, 2028	18,577,850	13,267,541	669,009	4,641,301	18,577,850	6,417,561
February 1, 2029	3,589,344	2,093,555	513,662	982,127	3,589,344	812,000
August 1, 2029	18,587,325	13,451,163	494,862	4,641,301	18,587,325	6,610,890
February 1, 2030	3,150,394	1,898,091	334,955	917,348	3,150,394	840,000
August 1, 2030	14,641,581	10,952,882	315,506	3,373,193	14,641,581	5,227,552
February 1, 2031	2,774,606	1,745,804	193,060	835,742	2,774,606	856,000
August 1, 2031	8,774,769	7,004,838	173,240	1,596,690	8,774,769	3,038,881
February 1, 2032	368,144	149,228	108,865	110,051	368,144	----
August 1, 2032	8,818,144	7,112,589	108,865	1,596,690	8,818,144	3,131,543
February 1, 2033	149,888	----	42,536	107,352	149,888	----
August 1, 2033	5,859,888	5,008,008	42,536	809,344	5,859,888	2,031,207

1. Totals may not add due to rounding. **The table includes information related to the Bonds.**
2. The Pool Borrower Obligations provide for scheduled payments by the Pool Borrowers in aggregate amounts sufficient to pay all principal and interest due on the related series of Pool Bonds. However, the Trust expects to provide Subsidy Amounts as a credit against such scheduled payments.
3. Does not include any Equity Earnings with respect to the SESD Pool Borrower Obligations. Such Equity Earnings are expected to be used to pay debt service on the portion of the SESD Bonds that was not refunded by the Series 7 Bonds.
4. These amounts are expected to be transferred to the Pool Program Reserve Fund from the debt service reserve funds for each of the Outstanding Pool Bonds and the SESD Bonds.

Pool Borrowers

The following table sets forth the Pool Borrowers, the amounts of the Prior Pool Borrower Obligations and SESD Pool Borrower Obligations outstanding as of August 31, 2003, the Borrower Obligations to be financed with the Bonds, the total amount of Pool Borrower Obligations that will be outstanding with respect to each Pool Borrower upon the issuance of the Bonds and the percentage that each Pool Borrower will represent of the Pool Program. These numbers do not include Prior Pool Borrower Obligations funded by Series 1 Bonds issued under the Trust's Commonwealth Program. Upon issuance of the Bonds it is expected that \$1,303,000,963 of the total Pool Borrower Obligations will be under the Clean Water Federal Program and \$315,516,753 of the total Pool Borrower Obligations will be under the Drinking Water Federal Program. \$3,932,362 of the Pool Borrower Obligations under the Drinking Water Federal Program will be to private, for-profit owners. The average life of the outstanding Pool Borrower Obligations upon the issuance of the Bonds will be 18.6 years.

<u>Pool Borrowers</u>	<u>Outstanding Prior Pool Borrower Obligations</u>	<u>Borrower Obligations</u>	<u>Total</u>	<u>Percentage of Pool Program</u>
Abington	\$ 3,630,229	\$ 0	\$ 3,630,229	0.23%
Acton	23,654,389	0	23,654,389	1.47
Acushnet	81,530	0	81,530	0.01
Agawam	2,320,316	0	2,320,316	0.14
Amesbury	9,771,902	2,394,845	12,166,747	0.76
Amherst	84,195	0	84,195	0.01
Aquarion	0	3,376,192	3,376,192	0.21
Ashburnham	7,339,094	0	7,339,094	0.46
Ashfield Water District	549,848	0	549,848	0.03
Ashland	9,928,423	0	9,928,423	0.62
Athol	2,150,607	0	2,150,607	0.13
Attleboro	17,978,987	4,876,242	22,855,229	1.42
Avon	2,128,529	0	2,128,529	0.13
Ayer	289,850	0	289,850	0.02
Barnstable	11,070,561	2,433,275	13,503,836	0.84
Barre	136,867	0	136,867	0.01
Belchertown	8,860,926	5,886,661	14,747,587	0.92
Bellingham	685,011	0	685,011	0.04
Belmont	50,645	0	50,645	0.00
Berlin	119,867	0	119,867	0.01
Bernardston	85,182	0	85,182	0.01
Beverly	0	706,790	706,790	0.04
Billerica	2,461,220	25,254,689	27,715,909	1.72
Blackstone	67,014	0	67,014	0.00
Boston (City of)	11,206,034	0	11,206,034	0.70
Boston Water Sewer Commission	18,270,834	0	18,270,834	1.14
Bourne	276,698	0	276,698	0.02
Boxford	211,584	0	211,584	0.01
Boylston	139,341	0	139,341	0.01
Brewster	176,602	0	176,602	0.01
Bridgewater	306,317	0	306,317	0.02
Brockton	5,633,295	0	5,633,295	0.35
Brookfield	122,600	0	122,600	0.01
Buckland	718,800	0	718,800	0.04
Cambridge	32,000,866	0	32,000,866	1.99
Carver	155,405	0	155,405	0.01

<u>Pool Borrowers</u>	Outstanding Prior Pool Borrower <u>Obligations</u>	Borrower <u>Obligations</u>	<u>Total</u>	Percentage of Pool <u>Program</u>
Charles River Pollution				
Control District	\$ 11,790,574	\$ 0	\$ 11,790,574	0.73%
Charlton	16,476,254	0	16,476,254	1.02
Chatham	383,117	0	383,117	0.02
Chelmsford	25,536,447	3,145,466	28,681,913	1.78
Chelmsford Water District	0	5,141,726	5,141,726	0.32
Cherry Valley Water				
District	1,216,244	0	1,216,244	0.08
Chesterfield	358,149	0	358,149	0.02
Chicopee	5,292,444	0	5,292,444	0.33
Clarksburg	345,500	0	345,500	0.02
Clinton	4,332,987	0	4,332,987	0.27
Cohasset	18,749,523	0	18,749,523	1.17
Colrain	5,390,262	0	5,390,262	0.33
Concord	195,089	0	195,089	0.01
Conway	34,270	0	34,270	0.00
Danvers	0	501,060	501,060	0.03
Dartmouth	16,274,531	0	16,274,531	1.01
Dedham	3,081,196	0	3,081,196	0.19
Dennis	163,060	0	163,060	0.01
Dighton	113,664	0	113,664	0.01
Dover	176,602	0	176,602	0.01
Dracut	7,985,916	92,142	8,078,058	0.50
Dracut Water Supply				
District	825,625	0	825,625	0.05
Dudley	728,533	0	728,533	0.05
Duxbury	844,551	0	844,551	0.05
Eastham	1,040,713	0	1,040,713	0.06
Easthampton	3,176,255	0	3,176,255	0.20
East Bridgewater	1,499,102	0	1,499,102	0.09
Easton	426,108	0	426,108	0.03
Essex	86,195	12,581,266	12,667,461	0.79
Everett	0	424,139	424,139	0.03
Fairhaven	537,024	0	537,024	0.03
Fall River	45,125,517	45,797,575	90,923,092	5.65
Falmouth	3,453,750	12,346,237	15,799,987	0.98
Fitchburg	18,224,838	0	18,224,838	1.13
Foxborough	2,201,735	49,111	2,250,846	0.14
Framingham	749,464	327,600	1,077,064	0.07
Franklin	27,405	0	27,405	0.00
Gardner	8,403,309	0	8,403,309	0.52
Georgetown	2,357,802	0	2,357,802	0.15
Gill	36,617	0	36,617	0.00
Gloucester	25,295,156	0	25,295,156	1.57
Grafton	67,302	0	67,302	0.00
Granby	548,454	0	548,454	0.03
Great Barrington	285,794	0	285,794	0.02
Greater Lawrence Sewerage				
District	1,503,638	0	1,503,638	0.09
Greenfield	7,167,614	0	7,167,614	0.45
Groton	176,602	311,141	487,743	0.03
Halifax	176,602	0	176,602	0.01
Hanover	344,946	0	344,946	0.02

<u>Pool Borrowers</u>	Outstanding Prior Pool Borrower <u>Obligations</u>	Borrower <u>Obligations</u>	<u>Total</u>	Percentage of Pool <u>Program</u>
Hardwick	\$ 27,762	\$ 0	\$ 27,762	0.00%
Harwich	195,089	0	195,089	0.01
Hatfield	1,099,116	0	1,099,116	0.07
Haverhill	5,610,083	725,751	6,335,834	0.39
Hillcrest Sewer District	0	3,648,761	3,648,761	0.23
Hingham	2,851,404	0	2,851,404	0.18
Hinsdale	2,584,827	0	2,584,827	0.16
Holbrook	1,929,770	0	1,929,770	0.12
Holden	10,731,819	3,444,613	14,176,432	0.88
Holland	152,914	0	152,914	0.01
Holliston	312,359	0	312,359	0.02
Hoosac Water Quality District	1,179,898	961,446	2,141,344	0.13
Hopedale Water Department	826,821	0	826,821	0.05
Hopkinton	7,241,694	0	7,241,694	0.45
Hubbardston	12,230	0	12,230	0.00
Hudson	1,161,404	0	1,161,404	0.07
Hull	6,522,123	0	6,522,123	0.41
Ipswich	1,465,600	0	1,465,600	0.09
Kingston	27,189,243	0	27,189,243	1.69
Lakeville	252,950	0	252,950	0.02
Lanesborough Village Fire & Water District	3,434,644	0	3,434,644	0.21
Lawrence	10,086,096	0	10,086,096	0.63
Lee	162,912	0	162,912	0.01
Leicester	160,837	0	160,837	0.01
Lenox	2,336,060	0	2,336,060	0.15
Leominster	9,134,119	0	9,134,119	0.57
Lexington	39,157	0	39,157	0.00
Lincoln	3,832,687	0	3,832,687	0.24
Littleton	334,277	0	334,277	0.02
Longmeadow	20,642	0	20,642	0.00
Lowell	14,387,815	0	14,387,815	0.89
Ludlow	1,777,131	0	1,777,131	0.11
Lunenburg	2,713,594	6,856,402	9,569,996	0.59
Lunenburg Water District	816,701	1,125,388	1,942,089	0.12
Lynnfield	151,473	0	151,473	0.01
Lynn Water Sewer Commission	70,612,241	15,960,238	86,572,479	5.38
Manchester - by - the - Sea	6,202,634	0	6,202,634	0.39
Mansfield	1,483,455	537,001	2,020,456	0.13
Marion	0	9,895,826	9,895,826	0.61
Marlborough	2,186,555	0	2,186,555	0.14
Marshfield	8,822,452	0	8,822,452	0.55
Mashpee	1,336,888	0	1,336,888	0.08
Massachusetts Development Finance Authority	14,136,692	0	14,136,692	0.88
Massachusetts Water Resources Authority	126,343,117	53,823,072	180,166,189	11.20
Mattapoiset	6,244,170	0	6,244,170	0.39
Maynard	5,369,734	0	5,369,734	0.33
Medfield	526,546	0	526,546	0.03

<u>Pool Borrowers</u>	Outstanding Prior Pool Borrower <u>Obligations</u>	Borrower <u>Obligations</u>	<u>Total</u>	Percentage of Pool <u>Program</u>
Medway	\$ 99,853	\$ 0	\$ 99,853	0.01%
Melrose	390,722	400,693	791,415	0.05
Mendon	155,405	0	155,405	0.01
Merrimac	282,825	0	282,825	0.02
Methuen	1,007,984	468,063	1,476,047	0.09
Middleborough	706,631	0	706,631	0.04
Millbury	5,031,943	1,884,501	6,916,444	0.43
Millville	176,602	0	176,602	0.01
Milton	712,245	0	712,245	0.04
Montague	1,150,489	0	1,150,489	0.07
Monterey	79,143	0	79,143	0.00
Nantucket	1,527,872	1,884,501	3,412,373	0.21
Natick	383,134	0	383,134	0.02
Needham	2,223,139	0	2,223,139	0.14
New Bedford	5,972,498	1,533,354	7,505,852	0.47
Newburyport	605,970	0	605,970	0.04
Newton	11,426,959	0	11,426,959	0.71
Norfolk	529,039	0	529,039	0.03
North Adams	2,145,116	565,498	2,710,614	0.17
North Andover	6,985,441	0	6,985,441	0.43
North Attleborough	7,970,694	1,321,347	9,292,041	0.58
North Brookfield	4,654,540	0	4,654,540	0.29
Northborough	1,126,214	0	1,126,214	0.07
Northbridge	8,609,746	0	8,609,746	0.54
Northampton	78,196	0	78,196	0.00
North Reading	519,197	0	519,197	0.03
North Sagamore Water District	0	2,372,091	2,372,091	0.15
Norton	2,950,929	0	2,950,929	0.18
Norwood	943,536	0	943,536	0.06
Oak Bluffs	14,573,868	0	14,573,868	0.91
Orange	249,305	0	249,305	0.02
Palmer	5,559,999	0	5,559,999	0.35
Paxton	130,707	0	130,707	0.01
Pembroke	255,008	0	255,008	0.02
Phillipston	130,686	0	130,686	0.01
Plymouth	42,613,506	480,794	43,094,300	2.68
Plympton	54,869	0	54,869	0.00
Provincetown	15,576,804	88,709	15,665,513	0.97
Quincy	4,655,636	3,706,355	8,361,991	0.52
Randolph	486,002	198,106	684,108	0.04
Raynham	9,492,735	6,603,041	16,095,776	1.00
Reading	19,784	0	19,784	0.00
Revere	597,589	0	597,589	0.04
Rockport	129,352	0	129,352	0.01
Rowley	66,226	0	66,226	0.00
Royalston	55,461	0	55,461	0.00
Russell	0	515,628	515,628	0.03
Salisbury	1,745,523	0	1,745,523	0.11
Sandwich	195,089	0	195,089	0.01
Saugus	932,577	0	932,577	0.06
Scituate	12,018,132	6,758,982	18,777,114	1.17
Seekonk	163,060	0	163,060	0.01

	Outstanding Prior			
<u>Pool Borrowers</u>	<u>Pool Borrower</u>	<u>Borrower</u>	<u>Total</u>	<u>Percentage of Pool</u>
	<u>Obligations</u>	<u>Obligations</u>		<u>Program</u>
Seekonk Water District	\$ 6,065,359	\$ 0	\$ 6,065,359	0.38%
Sharon	358,149	0	358,149	0.02
Shirley	13,808,229	0	13,808,229	0.86
Shrewsbury	538,287	0	538,287	0.03
Shutesbury	176,602	0	176,602	0.01
Somerset	0	5,627,865	5,627,865	0.35
South Deerfield	3,579,696	0	3,579,696	0.22
South Essex Sewerage				
District	107,639,106	0	107,639,106	6.69
South Hadley	2,483,419	0	2,483,419	0.15
Southampton	2,554,139	0	2,554,139	0.16
Southborough	552,431	0	552,431	0.03
Southbridge	6,706,094	0	6,706,094	0.42
Southwick	54,221	0	54,221	0.00
Spencer	176,602	0	176,602	0.01
Springfield	3,757,722	0	3,757,722	0.23
Springfield Water & Sewer				
Commission	9,301,876	0	9,301,876	0.58
Sterling	471,596	0	471,596	0.03
Stockbridge	0	6,156,709	6,156,709	0.38
Stoughton	3,068,787	0	3,068,787	0.19
Sturbridge	5,126,154	0	5,126,154	0.32
Sunderland	81,810	0	81,810	0.01
Sutton	390,018	0	390,018	0.02
Swampscott	9,248,807	270,580	9,519,387	0.59
Swansea Water District	2,910,935	0	3,160,133	0.20
Taunton	18,780,602	6,976,883	25,757,485	1.60
Templeton	2,804,781	0	2,804,781	0.17
Tewksbury	3,730,843	0	3,730,843	0.23
Tisbury	564,402	7,482,332	8,046,734	0.50
Townsend	174,246	0	174,246	0.01
Truro	176,602	0	176,602	0.01
Tyngsborough	3,211,871	0	3,211,871	0.20
Upper Blackstone Water				
Pollution District	12,130,895	0	12,130,895	0.75
Upton	3,944,900	0	3,944,900	0.25
Wakefield	2,569,291	0	2,569,291	0.16
Walpole	12,022,164	0	12,022,164	0.75
Ware	713,300	0	713,300	0.04
Wareham	12,252,487	12,381,363	24,633,850	1.53
Warren Water District	287,927	0	287,927	0.02
Wayland	754,294	0	754,294	0.05
Webster	7,870,252	0	7,870,252	0.49
Wellfleet	0	881,090	881,090	0.05
Westborough	2,670,226	0	2,670,226	0.17
Westfield	19,333,445	4,068,972	23,402,417	1.45
Westford	13,346,998	0	13,346,998	0.83
West Boylston	3,801,196	4,483,739	8,284,935	0.51
West Boylston Water				
District	0	305,361	305,361	0.02
West Bridgewater	0	178,861	178,861	0.01
West Newbury	195,089	0	195,089	0.01
West Stockbridge	760,159	0	760,159	0.05

<u>Pool Borrowers</u>	Outstanding Prior Pool Borrower <u>Obligations</u>	Borrower <u>Obligations</u>	<u>Total</u>	Percentage of Pool <u>Program</u>
Westwood	\$ 3,346,287	\$ 0	\$ 3,346,287	0.21%
Weymouth	1,323,249	0	1,323,249	0.08
Whitman	7,027,055	0	7,027,055	0.44
Wilmington	43,169	0	43,169	0.00
Winchendon	11,886,830	4,766,702	16,653,532	1.03
Winchester	60,100	0	60,100	0.00
Windbrook Acres	441,412	0	441,412	0.03
Woburn	4,800,541	415,545	5,216,086	0.32
Worcester	0	1,167,512	1,167,512	0.07
Wrentham	272,521	3,607,565	3,880,086	0.24
Yarmouth	4,215,408	0	4,215,408	0.26
Accretion of Series 4				
Capital Appreciation Bonds	851,137	0	851,137	0.05
Title 5 Unallocated				
Proceeds	<u>3,881,911</u>	<u>1,402,603</u>	<u>5,284,514</u>	<u>0.33</u>
Total	\$1,297,313,400	\$ 311,580,000	\$1,609,142,598	100.00%

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Massachusetts Water Pollution Abatement Trust
One Ashburton Place
Boston, Massachusetts 02108

Re: \$311,580,000 Massachusetts Water Pollution Abatement Trust Pool Program
Bonds, Series 9, dated November 1, 2003 (the "Bonds").

We have acted as bond counsel in connection with the issuance by the Massachusetts Water Pollution Abatement Trust (the "Trust") of the Bonds pursuant to Chapter 29C of the Massachusetts General Laws (the "Act"), a resolution of the Trust adopted March 4, 1993 entitled "Amended and Restated Resolution Authorizing and Establishing a Water Pollution Abatement and Drinking Water Project Financing Program" (as amended and restated, the "Program Resolution") and a resolution of the Trust adopted October 10, 2003 entitled "Water Pollution Abatement and Drinking Water Project Bond Resolution Pool Program, Series 9" (the "Bond Resolution" and, together with the Program Resolution, the "Resolutions"). We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

The Bonds are being issued by means of a book entry system, with bond certificates immobilized at The Depository Trust Company, New York, New York ("DTC"), and not available for distribution to the public, evidencing ownership of the Bonds in denominations of \$5,000 or integral multiples thereof, with transfers of beneficial ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants.

The Bonds are payable on August 1 in the years and principal amounts, bear interest at the rates and are subject to redemption prior to maturity, all as provided in the Bond Resolution.

As to questions of fact material to our opinion, we have relied upon the representations of the Trust contained in the Resolutions and in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation. Based upon the foregoing, we are of the opinion that, under existing law:

1. The Trust is duly created and validly existing as a public instrumentality of The Commonwealth of Massachusetts with the power to adopt the Resolutions, perform the agreements on its part contained therein and issue the Bonds.
2. The Resolutions have been duly adopted by the Trust and constitute valid and binding obligations of the Trust enforceable upon the Trust.
3. Pursuant to the Act, the Resolutions create a valid lien on the funds, contract rights and other property pledged by the Resolutions for the security of the Bonds.

4. The Bonds have been duly authorized, executed and delivered by the Trust and are valid and binding special obligations of the Trust, payable solely from the sources provided therefor in the Resolutions.
5. Interest on the Bonds will not be included in the gross income of the holders of the Bonds for federal income tax purposes. This opinion is rendered subject to compliance with various requirements of the Internal Revenue Code of 1986, as amended, which must be satisfied subsequent to the issuance of the Bonds in order that interest thereon is and continues to be excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be included in the gross income of holders of the Bonds retroactive to the date of issuance of the Bonds. While interest on the Bonds will not constitute a preference item for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations, interest on the Bonds will be included in the "adjusted current earnings" of corporate holders of the Bonds and therefore will be taken into account in the computation of the alternative minimum tax applicable to certain corporations. We express no opinion as to other federal tax consequences resulting from holding the Bonds.
6. Under existing law, interest on the Bonds and any profit made on the sale thereof are exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion as to other Massachusetts tax consequences arising with respect to the Bonds.
7. For federal and Massachusetts tax purposes, interest includes original issue discount. Original issue discount with respect to a Bond is equal to the excess, if any, of the stated redemption price at maturity of such Bond over the initial offering price thereof to the public, excluding underwriters and other intermediaries, at which price a substantial amount of all Bonds with the same maturity were sold. Original issue discount accrues actuarially over the term of a Bond. Holders should consult their own tax advisers with respect to the computation of original issue discount on such accruals of interest during the period in which any such Bond is held.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds and the Resolutions may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.

SUMMARY OF CONTINUING DISCLOSURE UNDERTAKINGS**A. Trust Continuing Disclosure Certificate**

The Trust will execute and deliver a Continuing Disclosure Certificate (the “Disclosure Certificate”) upon issuance of the Bonds. The Disclosure Certificate will be executed and delivered by the Trust for the benefit of the registered owners, including beneficial owners, of the Bonds (the “owners”) and in order to assist the original underwriters of the Bonds in complying with Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the “Rule”).

Provision of Annual Reports

Not later than 270 days after the end of each fiscal year of the Trust, commencing with the fiscal year ending June 30, 2004, the Trust will provide an Annual Report containing the information described below to each nationally recognized municipal securities information repository for purposes of the Rule (the “National Repositories”) and any public or private depository or entity designated by the Commonwealth as a state information depository for the purposes of the Rule (a “State Depository” and, collectively with the National Repositories, the “Repositories”). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in the Disclosure Certificate. If the Trust is unable to provide an Annual Report to the Repositories by the foregoing date, the Trust will send a notice to that effect to the Municipal Securities Rulemaking Board (the “MSRB”) and each Repository.

The Trust’s Annual Report will contain or incorporate by reference the most recently available audited financial statements of the Trust, prepared in accordance with generally accepted accounting principles. If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and the Trust will provide the audited financial statements as soon as practicable after the audited financial statements become available. The financial statements may be incorporated by reference from other documents, including official statements of debt issues of the Trust or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB.

As noted above under the caption “CONTINUING DISCLOSURE,” each Borrower will agree in its Financing Agreement to provide an annual report to the Trust, containing or incorporating the most recently available audited financial statements of such Borrower, not later than 270 days after the close of each fiscal year during any period during which such Borrower is an “obligated person” with respect to the Bonds within the meaning of the Rule, as evidenced by a notice to that effect furnished to the Borrower by the Trust. In accordance with a standard adopted by the Trust pursuant to the Rule, a Borrower shall be considered an “obligated person” with respect to the Bonds if the aggregate principal amount of all of its Pool Borrower Obligations outstanding as of the end of any fiscal year constitutes twenty percent (20%) or more of the aggregate principal amount of all Pool Borrower Obligations outstanding as of the end of such fiscal year. The Trust will covenant in its Disclosure Certificate to annually determine if any Borrowers constitute obligated persons with respect to the Bonds, and to provide notice to those Borrowers, if any, which satisfy that standard, and to file any annual reports received from such Borrowers with the Repositories at the same time and in the same manner as the Trust Annual Report for that year.

Reporting of Material Events

Upon the occurrence of any of the following events with respect to the Bonds (each a “Listed Event”), if material under applicable federal securities laws, the Trust will promptly file a notice of such occurrence with the MSRB and the State Depository, if any.

1. Principal and interest payment delinquencies.
2. Non-payment related defaults under the Bond Resolution.

3. Unscheduled draws on the debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Receipt by the Trust of an adverse tax opinion or the occurrence of an event affecting the tax - exempt status of the Bonds.
7. Modifications to the rights of the owners of the Bonds.
8. Bond calls.
9. Defeasance of the Bonds or any portion thereof.
10. The release, substitution or sale of property securing repayment of the Bonds.
11. Rating changes.

Termination of Reporting Obligation

The Trust's obligations under the Disclosure Certificate will terminate upon the defeasance of the Bonds in accordance with the terms of the Bond Resolution or the prior redemption or payment in full of all of the Bonds.

Amendment

Notwithstanding any other provision of the Disclosure Certificate, the Trust may amend the Disclosure Certificate, and any provision of the Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as evidenced by an opinion of counsel expert in federal securities law, which may also include bond counsel to the Trust, to the effect that such amendment or waiver would not cause the Disclosure Certificate to violate the Rule. The first Annual Report filed after enactment of any amendment to the Disclosure Certificate shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of information being provided in the Annual Report.

If the amendment pertains to the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to evaluate the ability of the Trust to meet its obligations. To the extent reasonably feasible, the comparison also will be quantitative. A notice of the change in the accounting principles will be sent to each Repository.

Default

In the event of a failure of the Trust to comply with any provision of the Disclosure Certificate any owner of the Bonds may seek a court order for specific performance by the Trust of its obligations under the Disclosure Certificate. Similarly, either the Trust or any owner of the Bonds may seek a court order for specific performance by any Borrower which is an "obligated person" with respect to the Bonds within the meaning of the Rule of such Borrower's disclosure obligations under the Financing Agreement and its financing closing certificate in the event of the failure of such Borrower to comply with those obligations.

A default under the Disclosure Certificate shall not constitute an Event of Default under the Bond Resolution or a default with respect to the Bonds, and the sole remedy under the Disclosure Certificate in the event of any failure of the Trust to comply with the Disclosure Certificate shall be an action for specific performance of the Trust's obligations thereunder and not for money damages in any amount. Similarly, a default by any Borrower of its disclosure obligations under the applicable Financing Agreement and such Borrower's closing certificate shall

not constitute an event of default under the Financing Agreement, and the sole remedy for such default shall be an action for specific performance of the Borrower's obligations.

Beneficiaries

The Disclosure Certificate will inure solely to the benefit of the owners of the Bonds from time to time, and shall create no rights in any other person or entity.

B. The Commonwealth Disclosure Agreement

Prior to the issuance of the Bonds, the Trust and the Commonwealth, acting by and through the Treasurer and Receiver-General of the Commonwealth, will undertake for the benefit of the owners of the Bonds to provide to each NRMSIR within the meaning of the Rule and to any State Depository, within the meaning of the Rule, no later than 270 days after the end of each fiscal year of the Commonwealth, commencing with the fiscal year ended June 30, 2004, (i) the annual financial information described below relating to such fiscal year, together with audited financial statements of the Commonwealth for such fiscal year if audited financial statements are then available, provided, however, that if audited financial statements of the Commonwealth are not then available, such audited financial statements shall be delivered to each NRMSIR and any State Depository when they become available (but in no event later than 350 days after the end of such fiscal year) or (ii) notice of the Commonwealth's failure, if any, to provide any such information. The annual financial information to be provided as aforesaid shall include financial information and operating data, in each case updated through the last day of such fiscal year unless otherwise noted, relating to the following information contained in the Commonwealth's Information Statement dated September 18, 2003 (the "Information Statement"), as it appears as Appendix A in the Official Statement dated September 18, 2003 relating to the Commonwealth's \$550,000,000 General Obligation Bond Anticipation Notes, 2003 Series A, and in each case substantially in the same level of detail as is found in the referenced section of the Information Statement, as described below. The Information Statement has been filed with each Nationally Recognized Municipal Securities Information Repository currently recognized by the Securities and Exchange Commission.

Financial Information and Operating Data Category	Reference to Information Statement for Level of Detail
1. Summary presentation on statutory accounting and five-year comparative basis of selected budgeted operating funds operations, concluding with prior fiscal year, plus estimates for current fiscal year	"DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS - Selected Financial Data - Statutory Basis"
2. Summary presentation on GAAP and five-year comparative basis of selected budgeted operating funds operations, concluding with prior fiscal year	"COMMONWEALTH BUDGET AND FINANCIAL MANAGEMENT CONTROLS - Selected Financial Data - GAAP Basis"
3. Summary presentation of actual revenues in budgeted operating funds on five-year comparative basis, concluding with prior fiscal year, plus estimates for current fiscal year	"COMMONWEALTH REVENUES - Statutory Basis Distribution of Budgetary Revenues"
4. So long as Commonwealth statutes impose limits on tax revenues, information as to compliance therewith in the prior fiscal year	"COMMONWEALTH REVENUES - Limitations on Tax Revenues"
5. Summary presentation of budgeted expenditures by selected, then-current major categories on five-year comparative basis and estimated expenditures for current fiscal year	"COMMONWEALTH PROGRAMS AND SERVICES"

Financial Information and Operating Data Category	Reference to Information Statement for Level of Detail
6. Summary presentation of the then-current, statutorily imposed funding schedule for future Commonwealth pension liabilities, if any	“COMMONWEALTH PROGRAMS AND SERVICES - Commonwealth Pension Obligations”
7. If and to the extent otherwise updated in the prior fiscal year, summary presentation of the size of the state workforce	“STATE WORKFORCE”
8. Five-year summary presentation of actual capital project expenditures	“COMMONWEALTH CAPITAL ASSET INVESTMENT PLAN - Capital Investment Plan”
9. Statement of Commonwealth debt and debt related to general obligation contract liabilities as of the end of the prior fiscal year	“LONG-TERM LIABILITIES - General Authority to Borrow - Commonwealth Debt and Debt Related to General Obligation Contract Assistance Liabilities”
10. Five-year comparative presentation of long term Commonwealth debt and debt related to general obligation contract liabilities as of the end of the prior fiscal year	“LONG-TERM LIABILITIES - General Authority to Borrow - Commonwealth Debt and Debt Related to General Obligation Contract Assistance Liabilities”
11. Annual fiscal year debt service requirements for Commonwealth general obligation and special obligation bonds, beginning with the current fiscal year	“LONG-TERM LIABILITIES - Debt Service Requirements on Commonwealth Bonds”
12. Annual fiscal year contract assistance requirements for Commonwealth general obligation contract assistance, beginning with the current fiscal year	“LONG-TERM LIABILITIES - General Obligation Contract Assistance Liabilities”
13. Annual fiscal year budgetary contractual assistance liabilities for Commonwealth, beginning with the current fiscal year	“LONG-TERM LIABILITIES - Budgetary Contractual Assistance Liabilities”
14. Five-year summary presentation of authorized but unissued general obligation debt	“LONG-TERM LIABILITIES - Authorized But Unissued Debt”
15. So long as Commonwealth statutes impose a limit on the amount of outstanding “direct” bonds, information as to compliance therewith as of the end of the prior fiscal year	“LONG-TERM LIABILITIES - General Authority to Borrow; Statutory Limit on Direct Debt”

Any or all of the items listed above may be included by reference to other documents, including official statements pertaining to debt issued by the Commonwealth, which have been submitted to each NRMSIR. If the document incorporated by reference is a Final Official Statement within the meaning of the Rule, it will also be available from the MSRB. The Commonwealth's annual financial statements for each fiscal year shall consist of (i) combined financial statements prepared in accordance with a basis of accounting that demonstrates compliance with the Massachusetts General Laws and other applicable state finance laws, if any, in effect from time to time and (ii) general purpose financial statements prepared in accordance with generally accepted accounting principles in effect from time to time. Such financial statements shall be audited by a firm of certified public accountants appointed by the Commonwealth.

The Commonwealth Disclosure Agreement also will provide that the Treasurer and Receiver-General of the Commonwealth on behalf of the Commonwealth, undertakes for the benefit of the registered owners and Beneficial Owners of the Bonds to provide in a timely manner to the MSRB and to any State Depository notice of any change in the credit rating of outstanding general obligation bonds of the Commonwealth.

To the extent permitted by law, the provisions of the Commonwealth Disclosure Agreement shall be enforceable against the Commonwealth in accordance with the terms thereof by any owner of a Bond, including any beneficial owner acting as a third-party beneficiary (upon proof of its status as a beneficial owner reasonably satisfactory to the Treasurer and Receiver-General). To the extent permitted by law, any such owner shall have the right, for the equal benefit and protection of all owners of the Bonds, by mandamus or other suit or proceeding at law or in equity, to enforce its rights against the Commonwealth and to compel the Commonwealth and any of its officers, agents or employees to perform and carry out their duties under such provisions of the Commonwealth Disclosure Agreement; provided, however, that the sole remedy in connection with violation of the Commonwealth Disclosure Agreement shall be limited to an action to compel specific performance of the obligations of the Commonwealth under the Commonwealth Disclosure Agreement and shall not include any rights to monetary damages. The Commonwealth Disclosure Agreement shall terminate if no Bonds remain outstanding (without regard to an economic defeasance) or if the provisions of the Rule concerning continuing disclosure are no longer in effect, whichever occurs first. The Commonwealth Disclosure Agreement may be amended, changed or modified without the consent of, or notice to, any owners of the Bonds, (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the Securities and Exchange Commission or its staff (whether required or optional), (b) to add a dissemination agent for the information required to be provided by such Commonwealth Disclosure Agreement and to make any necessary or desirable provisions with respect thereto, (c) to add to the covenants of the Commonwealth for the benefit of the owners of the Bonds, (d) to modify the contents, presentation and format of the annual financial information from time to time as a result of a change in circumstances that arises from a change in legal requirements, or (e) to otherwise modify the Commonwealth Disclosure Agreement in a manner consistent with the provisions of state legislation establishing the State Depository or otherwise responding to the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (d) or (e), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and (ii) the amendment does not materially impair the interests of the owners of the Bonds, as determined either by a party unaffiliated with the Commonwealth (such as Commonwealth disclosure counsel or Commonwealth bond counsel) or by the vote or consent of owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment.

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